

SUBCOMMITTEE No. 2

NATURAL RESOURCES, ENVIRONMENTAL PROTECTION,
PUBLIC SAFETY, ENERGY and GENERAL GOVERNMENT

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NATURAL RESOURCES

OVERVIEW

The Resources Agency is responsible for the state's policies, programs, and activities relating to the conservation, management, and enhancement of California's natural and cultural resources. The agency consists of the following 22 state departments, boards, commissions, and conservancies:

- Baldwin Hills Conservancy
- Coachella Valley Mountains Conservancy
- Coastal Commission
- Colorado River Board
- Conservation Corps
- Department of Boating and Waterways
- Department of Conservation
- Department of Fish and Game
- Department of Forestry and Fire Protection
- Department of Parks and Recreation
- Delta Protection Commission
- Department of Water Resources
- Energy Resources Conserv & Dev. Commission
- Native American Heritage Commission
- San Francisco Bay Conserv. & Dev. Commission
- San Gabriel Mountains/Lower Los Angeles River Conservancy
- San Joaquin River Conservancy
- Santa Monica Mountains Conservancy
- State Lands Commission
- Tahoe Conservancy
- Wildlife Conservation Board
- San Diego River Conservancy

The budget proposes a total of \$4.0 billion (\$698 million, General Fund) for all Resources Agency programs (not including capital outlay). This is a decrease of \$1.0 billion (20.2 percent) from the 2002-03 budget. Please note that these figures do not factor in general obligation bond debt financing when calculating total expenditures.

All Resources Agency Budgets				
Summary of Expenditures				
(dollars in thousands)	2002-03	2003-04	Change	
			Dollar	Percent
General Fund	818,801	698,009	-120,792	14.8
Special Funds	1,208,193	1,262,676	54,483	4.5
Selected Bond Funds	2,785,376	1,862,294	-923,082	33.1
Federal Funds	209,418	182,239	-27,179	13.0
Total	5,021,788	4,005,218	-1,016,570	20.2

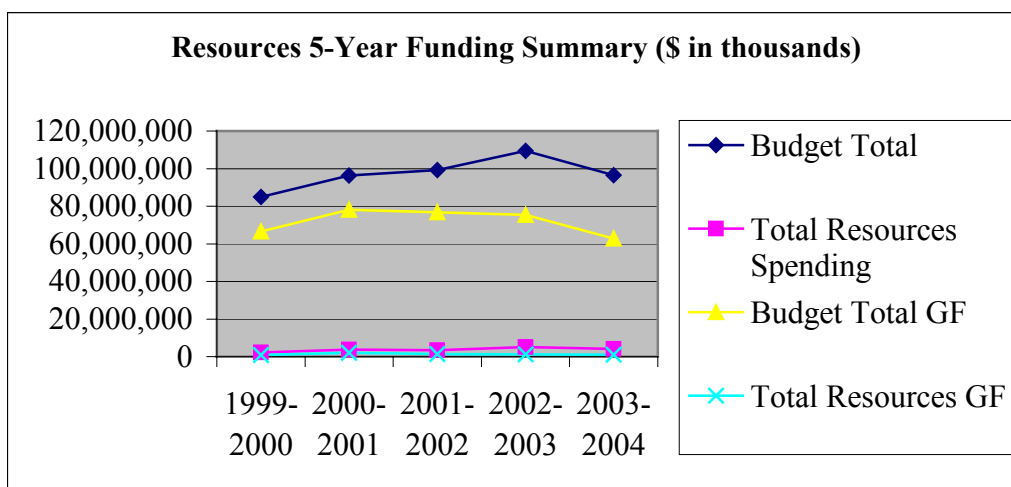
Issues

Funding for Natural Resources Programs

Resources will face a significant reduction in spending when looking at the Governor's proposed mid-year reductions, and the 2003-2004 budget proposals. Specifically, the total proposed reductions for all Resources Agency departments, boards, and commissions, are as follows:

<u>2002-2003 Mid-Year Reductions</u>		<u>2003-2004 Proposed Reductions</u>	
General Fund	\$143,622,000	General Fund	\$203,572,000
Special Funds	\$52,045	Special Funds	\$70,527

Compared to the reductions proposed in other areas of the budget, the dollar amounts associated with the natural resources section do not appear to be that drastic. However the Legislature has been forced to significantly reduce General Fund support for natural resource programs for three consecutive years. As we consider the 2003-2004 budget proposals, a question for the Legislature to consider is what effect these cuts will have had on natural resources programs.



Key Points to Consider

- Total spending for natural resources has increased from \$2.2 billion in 1999-2000, to \$4.1 billion in 2003-2004
- As a percentage of the total state budget, natural resources spending has increased from 2.6 percent in 1999-2000 of the budget to 5.3 percent of the budget in 2003-2004.
- Total General Fund spending for natural resources has increased from \$926 million in 1999-2000, to \$958 million in 2003-04
- As a percentage of total General Fund spending, natural resources GF spending has decreased from 1.8 percent in 1999-2000, to 1.5 percent in 2003-2004.

The numbers over the five-year are somewhat misleading for a couple of reasons. First, total spending for natural resource increased over this five-year period due in large part to the passage of Propositions 12 (2000), 13 (2000), 40 (2002), and 50 (2002). In total, voters have approved over \$10 billion in natural resources bonds since the calendar year 2000. Subsequent to the passage of these bonds, the

Administration and the Legislature have adopted relatively aggressive expenditure schedules to allocate the bond funds.

Second, although total General Fund spending has slightly increase by \$32 million over the five-year period, the increase is attributable to one area. The Governor's budget summary includes debt service on general obligation bonds when factoring total General Fund spending. In the 99-00 fiscal-year, the debt service on natural resources bonds was \$199 million. In the 2003-2004 proposed budget, the debt service is estimated to be \$260 million. So if the debt service is not considered, total GF spending for natural resources has decreased by \$29 million.

Total General Fund spending for natural resources is proposed at \$698 million for the 2003-04 budget-year. Five years ago (1999-2000), the state spent \$726 million. Without factoring in for population growth, newly created programs, and inflation, the state spends less on natural resource programs.

When compared to spending five years ago, the perception of natural resources programs tends to center around land acquisitions and park openings, but vital programs have been established to protect and preserve the state's natural and cultural resources. Programs such as timber harvest plan review, enforcement, and regulating coastal development are all vital programs for the state. When compared to health care or public safety, natural resources may not warrant priority status, but determining how much of a priority resources programmatic funding should be an issue worth pursuing.

Proposition 50 Bond Funds Proposed in the Budget

The 2003-04 proposed budget utilizes approximately \$1.1 billion in Proposition 50 bond funds. Proposition 50, The Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 authorizes \$3.4 billion in general obligation bonds for various water projects and programs. Listed below is a brief summary of the bond elements, and the Governor's Proposition 50 proposals for the 2003-04 budget-year.

Water Security

\$50,000,000

Water security funds are discretionary to the extent that no water security program currently exists. The Legislature can appropriate these funds for projects that protect state, local, and regional drinking water systems from terrorist attack or deliberate acts of destruction or degradation.

The budget proposes \$15.1 million from the Water Security fund for 2003-2004.

Safe Drinking Water

\$435,000,000

Safe drinking water funds are available to the Department of Health Services for grants and loans for infrastructure improvements designed to meet safe drinking water standards. Examples of the types of projects and grants that are eligible for funding include the following:

- Grants to small community drinking water systems to upgrade monitoring, treatment, or distribution infrastructure.
- Grants for the development of new technologies and related facilities for water contaminant removal and treatment.
- Grants for community water quality monitoring facilities and equipment.
- Grants for drinking water source protection.
- Grants for treatment facilities necessary to meet safe drinking water standards.

To help address the water demand issues, 60 percent of these funds can also be used for grants to Southern California water agencies to assist in meeting the state's commitment to reduce Colorado River water use to 4.4 million acre feet per year.

The budget proposes \$102.1 million from the Safe Drinking Water fund for 2003-04.

Clean Water and Water Quality

\$370,000,000

These funds are scheduled as follows:

- \$100 million to the Water Resources Control Board (SWRCB) for competitive grants for the following purposes:
 - (1) Water pollution prevention.
 - (2) Water reclamation.
 - (3) Water quality improvement.
 - (4) Water quality blending and exchange projects.
 - (5) Drinking water source protection projects.
 - (6) Projects to mitigate pathogen risk from recreational uses at drinking water storage facilities.
- \$100 million to the Resources Agency Secretary for River Parkways projects.
- \$40 million to the Tahoe Conservancy for land and water acquisition, development, and restoration to improve the water quality of Lake Tahoe.
- \$100 million to the Water Board for projects that restore and protect the water quality and environment of coastal waters, estuaries, bays and near-shore waters, and groundwater. Of these funds, a minimum of \$20 million is appropriated for projects in the Santa Monica Bay Restoration Plan.
- \$30 million to the Secretary for Resources for water quality and land acquisition projects in the Sierra Nevada-Cascade Mountain Region.

The budget proposes \$87.9 million from the Clean Water and Water Quality fund for 2003-04.

Contaminant and Salt Removal Technologies

\$100,000,000

The funds in this account are available the Department of Water Resources (DWR) to award grants for desalination projects. To qualify for these funds, a grant recipient must satisfy a 50 percent match requirement of non-state source revenues for the project.

The budget proposes \$27.0 million from the Contaminant and Salt Removal Technologies fund in 2003-04.

CALFED Bay-Delta Program

\$825,000,000

Proposition 50 supports the state's ongoing commitment to the CALFED Bay-Delta Program. Key components of the proposal include \$180 million for each of the following CALFED program elements: water supply reliability, ecosystem restoration, and water use efficiency.

The budget proposes \$306.6 million from the CALFED fund in 2003-04. Additionally, the 2002-03 current-year budget contains \$46.6 million of Prop 50 funds for CALFED.

Integrated Regional Water Management

\$640,000,000

The allocation of Integrated Regional Water Management funds will likely require legislation to establish and implement this new program. As stated in the bond, the funds in this account are intended to protect communities from drought, protect and improve water quality, and improve local water security. Fifty percent (50%) of these funds are allocated to the SWRCB to select projects that meet certain requirements, including projects that are consistent with approved integrated water management plans, and projects that include local matching funds. Other restrictions on these funds include prohibiting projects that include an on-stream surface water storage facility, or an off-stream surface water storage facility other than percolation ponds for groundwater recharge in urban areas.

The budget proposes \$93.7 million from the Integrated Regional Water Management fund in 2003-04.

As part of this account, the Wildlife Conservation Board (WCB) will receive \$140 million for projects and grants that protect water quality and improve water supply reliability.

The budget proposes \$60.2 million to the WCB in 2003-04.

Colorado River**\$70,000,000**

Twenty million (\$20,000,000) of these funds are available to DWR for canal lining and other projects designed to reduce the state's use Colorado River water. Fifty million (\$50,000,000) of the funds are available to the WCB for acquisition, protection, and restoration of land and water resources that help satisfy the states' limit on Colorado River water.

The budget proposes \$54 million from the Colorado River fund in 2003-04.

Coastal Watershed and Wetland Protection**\$200,000,000**

The Coastal Watershed and Wetland Protection funds are available for grants and/or projects that protect coastal watersheds. The allocation of these funds are as follows:

- \$120,000,000 million to the State Coastal Conservancy
- \$20,000,000 million for the San Francisco Bay Conservancy Program
- \$40,000,000 million to the Santa Monica Mountains Conservancy, of which \$20,000,000 is for the protection of the Los Angeles River watershed (north of the City of Vernon), and \$20,000,000 million for the Santa Monica Bay and Ventura County coastal watersheds.
- \$20,000,000 million for the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy.

The budget proposes \$46.0 million from the Coastal Watershed and Wetland Protection fund for 2003-04.

Wildlife Conservation Board**\$750,000,000**

Proposition 50 authorizes \$750 million, continuously appropriated, to the WCB for acquisition, protection, and restoration of coastal wetlands, upland areas adjacent to coastal wetlands, and coastal watershed lands. The bond specifies that \$300 million must be spent on projects within Los Angeles, Santa Barbara and Ventura Counties, and \$200 million must go to projects in the San Francisco bay area. The WCB can also acquire at least 100 acres of upland mesa areas adjacent to the state ecological reserve in the Bolsa Chica wetlands in Orange County.

The budget proposes \$272.0 million to the WCB in 2003-04. The Administration has also scheduled approximately \$170.7 million of the WCB fund in the 2002-03 fiscal-year.

Selected Issues with Proposition 50 Proposed Expenditures

Although the Governor's budget was released in early January, the committee recently received the Administration's Proposition 50 expenditure plan. To avoid doing a cursory review of the Governor's plan, the following issues have been identified for the subcommittee to consider. As the subcommittee begins its process to consider the Governor's proposed expenditures, additional issues will likely develop. The following issues are not intended to be exhaustive or final, but rather these issues may serve as a starting point as the subcommittee formulates its plans to allocate Proposition 50 bond funds.

1. **Various bond elements will require legislation to establish program requirements and coordination.** For example, the Water Security and Integrated Regional Water Management funds do not have existing or a comparable programs to administer the funds. Although the SWRCB will receive half of the Integrated Water Management funds, the broad project criteria for these funds highlight the need for enabling legislation to establish this program. Additional funds may also require legislation or trailer bill language, however these two programs are fairly discretionary and appear to have the greatest need for program definition.
2. **River Parkway Program Continues to Receive Significant Amount of Bond Funds.** In Propositions 12, 13 and 40, the past three natural resources bonds, river parkway funds were available for urban creek protection, restoration, and enhancement, and for acquisition and restoration of riparian habitat, riverine aquatic habitat, and other lands in close proximity to rivers and streams and for river and stream trail projects. The language in Proposition 50 does not provide any further direction or guidance on the use of these funds.

Since 2000 and the aforementioned Propositions (12, 14, and 40), and including funds in Proposition 50, river parkways have received over \$300 million. The issue for the Legislature to consider is whether it is desirable to spend these funds through project lists that are proposed by the Administration and without much legislative input. Or, should the Legislature assert more control over this program and establish a more comprehensive program with a long-term approach to improving river parkways.
3. **Coordination is Needed for Watershed and Coastal Protection Programs.** In total Proposition 50 contains approximately \$900 million for coastal protection programs, however most of these funds are spread across the Resources Agency and CalEPA. Both agencies and their respective departments, boards, commissions, etc, contribute a specific working knowledge and experience of how to maximize coastal protection programs. To ensure that the state is utilizing the valuable resources of these agencies, and to avoid duplicative work and/or redundancy, the subcommittee should consider establishing a structure to coordinate the use of coastal protection bond funds.

0540 Secretary for Resources

The Secretary for Resources has administrative responsibility for the 21 state departments, boards, commissions, and conservancies within the Resources Agency. The budget proposes total expenditures of \$54.3 million (\$1.3 million, General Fund), a decrease of \$386.2 million from the current-year budget. This decrease is attributable to a reduction in the Bay-Delta Ecosystem Restoration Account. Funds in this account are now administered by the CALFED Bay-Delta Authority.

Highlights

The Secretary for Resources budget contains the following key items:

- \$25 million from Proposition 50 for the River Parkways Program. Proposition 50 authorizes a total of \$100 million for the program.
- \$7 million from Proposition 50 for Sierra Nevada-Cascade Mountain grants. Proposition 50 authorizes a total of \$30 million in grants for acquisitions for land and water resources in the Sierra Nevada-Cascade Mountain region.

- \$12.7 million from Proposition 40 for the River Parkways and Urban Streams Restoration Programs.

3340 California Conservation Corps

Fund Source (dollars in thousands)	2002-03	2003-04	Change	
			Dollars	Percent
General Fund	\$45,688	\$36,815	(\$8,873)	-19.4
Safe Neighborhood Parks, Clean Water, Clean Air & Coastal Protection Bond Fd	3,525	3,525	0	0.0
CA Environmental License Plate Fund	317	308	(9)	-2.8
Public Resources Account, Cigarette and Tobacco Products Surtax Fund	277	285	8	2.9
Collins-Dugan California Conservation Corps Reimbursement Account	33,949	27,320	(6,629)	-19.5
Federal Trust Fund	495	503	8	1.6
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	4,071	5,224	1,153	28.3
Total	\$88,322	\$73,980	(\$14,342)	-16.2

Issue

Corps Member Health Benefits

The Governor proposes to reduce the Conservation Corps' General Fund budget by \$8.9 million (19.4 percent) for the 2003-2004 budget-year. As stated in the department's mission statement, corps members provide numerous services that protect and enhance the state's natural resources, environment, and residential communities. More importantly, the Corps provides valuable job training and education to young men women who live in disadvantaged communities.

Since the 2001-02 fiscal-year, the corps General Fund budget has been reduced by \$23.4 million; additionally the corps overall budget has been reduced by \$11.4 million during the same time period. As part of the proposed 25 percent General Fund reduction for the 2003-04 budget-year, the Governor proposes the following:

- Eliminate health benefits to corps members: \$2.3 million
- Lay off field administrative staff: \$3.2 million
- Reduce operating expenses: \$3.3 million
- Close two fire centers: \$1.9 million

- Eliminate local corps contracts: \$846,000

Although the dollar amount associated with these reductions may not appear to be significant, the proposal to eliminate corps member health benefits is not worth the limited General Fund savings. As the subcommittee considers the corps budget, staff will recommend denying the elimination of health benefits for corps members.

3480 Department of Conservation

The Department of Conservation (DOC) protects public health and safety, ensures environmental quality, and supports the state's long-term viability in the use of California's earth resources. The Department performs numerous functions relating to agricultural and open space lands and soils; beverage container recycling; geology and seismology; and mineral, geothermal, and petroleum resources.

The budget proposes total expenditures of \$541.1 million (\$5.4 million, General Fund), a decrease of \$13.6 million (2.5 percent) from the current-year budget.

Fund Source (dollars in thousands)	2002-03	2003-04	Change	
			Dollars	Percent
General Fund	\$21,435	\$5,396	(\$16,039)	-74.8
Safe Neighborhood Parks, Clean Water, Clean Air & Coastal Protection Bond Fd	21,862	473	(21,389)	-97.8
Surface Mining and Reclamation Account	1,938	841	(1,097)	-56.6
State Highway Account, State Transportation Fund	12	12	0	0.0
California Beverage Container Recycling Fund	408,847	416,672	7,825	1.9
California Environmental License Plate Fd	0	0	0	0.0
Soil Conservation Fund	1,298	1,308	10	0.8
Glass Processing Fee Account, California Beverage Container Recycling Fund	37,529	38,398	869	2.3
Hazardous and Idle-Deserted Well Abatement Fund	100	100	0	0.0
Bi-Metal Processing Fee Account, California Beverage Container Recycling Fund	16	16	0	0.0
PET Processing Fee Account, California Beverage Container Recycling Fund	44,689	44,784	95	0.2
Mine Reclamation Account	1,498	1,313	(185)	-12.3
Seismic Hazards Identification Fund	1,913	3,206	1,293	67.6
Strong-Motion Instrumentation Special Fund	3,271	4,450	1,179	36.0

Federal Trust Fund	1,665	1,685	20	1.2
Bosco-Keene Renewable Resources	0	680	680	100.0
Investment Fund				
Reimbursements	8,238	8,476	238	2.9
Oil, Gas, and Geothermal	0	12,884	12,884	100.0
Administrative Fund				
Agriculture and Open Space Mapping	450	444	(6)	-1.3
Subaccount				
Total	\$554,761	\$541,138	(\$13,623)	-2.5

Highlights

The Governor proposes the following:

- \$965,000 augmentation for increased enforcement and fraud prevention in the Beverage Container Recycling Program. This proposal will add one staff member to the seven-member Los Angeles fraud investigative, as well as create an additional eight-member team.
- \$80 million loan from the Beverage Container Recycling Fund (BCRF) to the General Fund. The BCRF is estimated to have a \$522,000 fund balance in the 2003-2004 budget-year.
- \$3.7 million General Fund reduction. The proposed reduction will effect the following programs:
 - Eliminate North Coast Watershed Assessment (\$1.8 million)
 - Reduce Regional Geological Hazards Mapping (\$693,000)
 - Reduce Geological Publications Unit (\$600,000)
 - Reduce Mineral and Hazardous Mineral Classification Program (\$425,000)
 - Eliminate grants to Resource Conservation Districts (\$120,000)
 - Reduce out-of-state travel (\$55,000)

3540 Department of Forestry and Fire Protection

The Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services for timberlands, rangelands, and brushlands. The Department regulates timber harvesting on state or privately owned forestland and also provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

The Office of the State Fire Marshall is responsible for protecting life and property from fire through the development and application of fire prevention engineering, enforcement, and education regulations. The State Fire Marshall also trains and certifies fire service personnel throughout the state.

The budget proposes total expenditures of \$603.7 million (\$413.3 million, General Fund) a decrease of \$52.6 million (8.0 percent) from the current-year budget.

Fund Source (dollars in thousands)	2002-03	2003-04	Change	
			Dollars	Percent
General Fund	\$482,306	\$413,298	(\$69,008)	-14.3
Safe Neighborhood Parks, Clean Water, Clean Air & Coastal Protection Bond Fd	0	0	0	0.0
State emergency Telephone Number Account	1,505	1,406	(99)	-6.6
Unified Program Account	0	2,568	2,568	0.0
State Fire Marshal Licensing and Certification Fund	310	301	(9)	-2.9
California Fire and Arson Training Fund	1,891	1,810	(81)	-4.3
California Hazardous Liquid Pipeline Safety Fund	469	618	149	31.8
California Environmental License Plate Fd	1,581	1,564	(17)	-1.1
California Hazardous Liquid Pipeline Safety Fund	2,240	2,211	(29)	-1.3
Public Resources Account, Cigarette and Tobacco Products Surtax Fund	389	384	(5)	-1.3
Professional Forester Registration Fund	190	188	(2)	-1.1
Federal Trust Fund	20,122	22,508	2,386	11.9
Forest Resources Improvement Fund	0	11,514	11,514	0.0
Timber Tax Fund	28	28	0	0.0
Reimbursements	144,205	144,038	(167)	-0.1
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	1,000	1,000	0	0.0
Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	0	240	240	0.0
Total	\$656,236	\$603,676	(\$52,560)	-8.0

Highlights

The Governor proposes the following items for the department:

- \$2.25 million (Federal Funds) expenditure authority for the Joint Agency Climate Team (JACT). The JACT is multi agency program that will develop a climate change strategy for the state. Through this budget proposal, the department will focus on the following initiatives:

Support research and development in renewable technologies

Support research in carbon sequestration

Enhance the state's capacity to project future climates, assess impacts, and evaluate solutions

- \$3.5 million reduction to the Forest Resources Improvement Fund (FRIF) due to a revenue reduction on forest products from the State Forest System. The proposal calls for the elimination of FRIF funding for the North Coast Watershed Assessment program.

3600 Department of Fish and Game

The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish and wildlife resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates the sport taking of fish and game. The DFG currently manages approximately 160 ecological reserves, wildlife management areas, habitat conservation areas, and interior and coastal wetlands throughout the state.

The budget proposes total expenditures of \$275.8 million (\$41.2 million General Fund), an increase of \$4.5 million (1.7 percent) from the current-year budget. The proposed spending increase is attributable to Federal Trust Fund and reimbursement authority increases.

Fund Source (dollars in thousands)	2002-03	2003-04	Change	
			Dollars	Percent
General Fund	\$48,651	\$41,167	(\$7,484)	-15.4
Safe Neighborhood Parks, Clean Water, Clean Air & Coastal Protection Bond Fd	1,022	701	(321)	-31.4
California Environmental License Plate Fd	19,538	17,796	(1,742)	-8.9
Fish and Game Preservation Fund	94,598	90,896	(3,702)	-3.9
Fish and Wildlife Pollution account	2,371	2,392	21	0.9
California Waterfowl Habitat Preservation Account, Fish and Game Preservation Fun	207	207	0	0.0
Exotic Species Control Fund	871	877	6	0.7
Public Resources Account, Cigarette and Tobacco Products Surtax Fund	0	0	0	0.0
Oil Spill Prevention and Administration Fund	17,125	20,261	3,136	18.3
Oil Spill Response Trust Fund	0	0	0	0.0
Environmental Enhancement Fund	104	1,001	897	862.5
The Salmon and Steelhead Trout Restoration Account	0	0	0	0.0
Central Valley Project Improvement Subaccount	53	53	0	0.0
Harbor and Watercraft Revolving Fund	5	5	0	0.0
Upper Newport Bay Ecological Reserve Maintenance and Preservation Fund	(200)	(200)	0	0.0
Marine Life and Marine Reserve Management Account	0	0	0	0.0
Federal Trust Fund	50,209	62,059	11,850	23.6
Reimbursements	24,416	28,535	4,119	16.9
Coastal Watershed Salmon Habitat Subaccount	4,303	0	(4,303)	-100.0
California Clean Water, Clean Air, Safe Neighborhood Parks and Coastal Protection Fund	8,000	8,000	0	0.0
Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of	0	2,030	2,030	0.0

2002

Total	\$271,273	\$275,780	\$4,507	1.7
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Issues

The Department proposes a General Fund reduction of \$11.6 million, which consists of the following items:

- A total reduction of 50 positions and \$4.5 million (\$1.64 million in 2002-03, and \$2.9 million in 2003-04) for enforcement. As part of the first extraordinary session, the Senate approved the department's proposal to reduce funding for vacant enforcement positions in the current fiscal-year (\$1.64 million), however the Senate submitted a letter to the journal stating intent to maintain the positions through the fiscal-year. The issues and concerns surrounding enforcement have been a priority for the Subcommittee over the past 3 years.

Fish and Game Wardens perform numerous functions for the department, including the protection of California's public trust resources. Enforcement at the department has been historically been understaffed and underfunded. The Legislature approved \$31.6 million and 200 positions in the 2000-01 Budget Act to address chronic underfunding of enforcement, monitoring, environmental review, maintenance, and administration at the department. Eliminating these positions would hinder any progress made by Department to increase enforcement activities, and would undermine the Legislature's intent to increase funding for enforcement.

- \$1.9 million reduction for Wildlife Area and Ecological Reserve Operations.
- \$1.6 million reduction to eliminate/reduce funding for fish hatcheries.
- \$1.2 million to eliminate funding for the Urban Fishing Program.
- \$900,000 (thousand) to eliminate funding for the North Coast Watershed Assessment program.

3640 Wildlife Conservation Board

The Wildlife Conservation Board (WCB), established within the Department of Fish and Game (DFG), administers a capital outlay program for wildlife conservation and related public access. The board acquires property to protect and preserve wildlife and provides fishing, hunting, and recreational access facilities. The board is composed of the directors from the Department of Fish and Game, the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

The budget proposes total expenditures of \$417.7 million (\$22.1 million, General Fund), a decrease of \$274.3 million (85.4 percent) from the current-year budget. The decrease in spending is primarily associated with the capital outlay program. The board proposes a reduction of \$276.8 million in capital outlay expenditures, and a reduction of bond funds from Proposition 40 (\$283 million), and Proposition 12 (\$153.8 million).

Fund Source (dollars in thousands)	2002-03	2003-04	Change	
			Dollars	Percent
<i>State Operations & Local Assistance</i>				
General Fund	\$319	\$321	\$2	0.6
Safe Neighborhood Parks, Clean Air, Clean Water, and Coastal Protection Bond Fund	\$388	\$0	(388)	-100.0
Environmental License Plate Fund	\$254	\$215		0.0
Habitat Conservation Fund	\$274	\$381	107	39.1
Wildlife Restoration Fund	\$826	\$882	56	6.8
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	420	421	1	0.2
Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	858	3,664	2,806	327.0
Reimbursements	0	0	0	0.0
Subtotal	\$3,339	\$5,884	2,545	76.2
<i>Capital Outlay</i>				
General Fund	\$21,301	\$21,736	435	2.0
Safe Neighborhood Parks, Clean Air, Clean Water, and Coastal Protection Bond Fund	\$153,822	\$0	(153,822)	-100.0
Habitat Conservation Fund	35,804	20,620	(15,184)	-42.4
<i>Less Funding provided by General Fund</i>	(21,301)	(21,736)	(435)	0.0
Inland Wetlands Conservation Fund	350	1,750	1,400	400.0
Natural Resources Infrastructure Fund	0	0	0	0.0
Wildlife Restoration Fund	500	500	0	0.0
Harbors and Watercraft Revolving Fund	0	0	0	0.0
Reimbursements	12,953	4,000	(8,953)	-69.1
River Protection Subaccount	5,762	0	(5,762)	-100.0
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	299,500	16,500	(283,000)	-94.5
Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	180,000	363,500	183,500	101.9
Oak Woodlands Conservation Fund	0	5,000	5,000	0.0
Subtotal	\$688,691	\$411,870	(276,821)	-40.2
Total	\$692,030	\$417,754	(\$274,276)	-39.6

Highlights

The board proposes the following items:

- \$32.5 million from Proposition 50 for the Colorado River acquisition, protection, and restoration program.
- \$24 million from Proposition 40 for Rangeland, Grazing Land & Grassland Protection, and Oak Woodlands protection program.
- \$3.7 million and 9 positions to administer Proposition 50 bond funds.

3760 State Coastal Conservancy

The conservancy is authorized to acquire land, undertake projects, and award grants for the purposes of (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses. The conservancy's jurisdiction covers the entire coastal zone including San Francisco Bay and the Suisun Marsh. The conservancy governing board consists of the Chairperson of the Coastal Commission, the Secretary for Resources, the Director of Finance, and four public members. The conservancy office is located in Oakland.

The budget proposes total expenditures of \$78.3 million (\$0, General Fund), a decrease of \$337.9 million (81.2 percent) from the current-year budget. The decrease in spending is primarily associated with the Capital Outlay program, and a reduction of bond funds from Proposition 12 (\$157.6 million) and from Proposition 40 (\$174.4 million).

Fund Source (dollars in thousands)	2002-03	2003-04	Change	
			Dollars	Percent
<i>State Operations and Local Assistance</i>				
General Fund	\$1,250	\$0	(\$1,250)	-100.0
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund	1,572	1,291	(281)	-17.9
State Coastal Conservancy Fund	4,068	4,209	141	3.5
Federal Trust Funds	116	117	1	0.9
Reimbursements	111	111	0	0.0
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	740	742	2	0.3
Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	0	550	550	0.0
Subtotal	7,857	7,020	(837)	-10.7
<i>Capital Outlay</i>				
General Fund	764	0	(764)	-100.0
Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund	157,642	0	(157,642)	-100.0
Public Resources Account, Cigarette and Tobacco Products Surtax	0	0	0	0.0
Habitat Conservation Fund	7,689	4,000	(3,689)	-48.0
San Francisco Bay Conservancy Program Account	0	0		
California Beach and Coastal Enhancement Account	609	0		
State Coastal Conservancy Fund	3,712	0	(3,712)	-100.0
Coastal Access Account	1,046	0		
Fish and Wildlife Habitat Enhancement Fund	801	0		
California Wildlife, Coastal and Park, Land Conservation Fund of 1988	2,627	0	(2,627)	-100.0
Federal Trust Funds	3,537	2,000	(1,537)	-43.5
Renewable Resources Investment Fund	0	0	0	0.0
Reimbursements	11,783	1,800	(9,983)	-84.7
River Protection Subaccount	11,795	0	(11,795)	-100.0
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	206,400	32,000		
Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002	0	31,500		
Subtotal	408,405	71,300	(337,105)	-82.5

Total	\$416,262	\$78,320	(\$337,942)	-81.2
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Highlights

The SCC proposes the following items:

- \$550,000 (thousand) and 6 positions to administer Proposition 50 bond funds.
- \$22 million from Proposition 40 for various acquisition and restoration programs.
- \$6 million from Proposition 40 for the San Francisco Bay Conservancy Program.
- \$4 million from Proposition 40 for coastal watershed protection.

3790 Department of Parks and Recreation

The Department of Parks and Recreation (DPR) acquires, develops, preserves, interprets, and manages the natural, cultural, and recreational resources in the state park system and in the State Vehicular Recreation Area and Trail System (SVRATS). In addition, the department administers state and federal grants to cities, counties, and special districts that help provide parks and open-space areas throughout the state. The state park system consists of 273 units, 31 of which are administered by local and regional park agencies. The system contains approximately 1.4 million acres of land, with 285 miles of coastline and 822 miles of lake, reservoir, and river frontage.

The budget proposes total expenditures of \$912.0 million, (\$97.9 million, General Fund), a decrease of \$91.7 million (9.1 percent) from the current-year budget.

Fund Source (dollars in thousands)	2002-03	2003-04	Change	
			Dollars	Percent
<i>State Operations:</i>				
General Fund	\$128,758	\$89,915	(\$38,843)	-30.2
Safe Neighborhood Parks, Clean Water, Clean Air & Coastal Protection Bond Fd	22,780	23,516	(10,822)	-47.5
California Environmental License Plate Fd	115	124	12,173	10585.2
Public Resources Account, Cigarette & Tobacco Products Surtax Fund	13,311	11,747	265,247	1992.7
Habitat Conservation Fund	61	0	(61)	-100.0
Off-Highway Vehicle Trust Fund	26,637	28,373	(26,637)	-100.0
Natural Resources Infrastructure Fund	0	0	7,956	0.0
State Parks and Recreation Fund	76,975	96,747	(76,975)	-100.0
Winter Recreation Fund	287	289	2,313	805.9
Harbors and Watercraft Revolving Fund	638	663	16,362	2564.6
State Parks System Deferred Maintenance Account	0	0	0	0.0
Recreational Trails Fund	25	0	(25)	-100.0
Federal Trust Fund	2,948	2,938	1,052	35.7
Reimbursements	11,958	11,958	8,042	67.3
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	15,066	12,288		0.0
Total, State Operations	\$299,559	\$278,558	(\$21,001)	-7.0
<i>Local Assistance::</i>				
General Fund	\$3,090	\$7,956	\$4,866	157.5
Safe Neighborhood Parks, Clean Water, Clean Air & Coastal Protection Bond Fd	299,315	0	(299,315)	-100.0
Habitat Conservation Fund	2,055	2,600	545	26.5
Off-Highway Vehicle Trust Fund	27,894	17,000	(10,894)	-39.1
Natural Resources Infrastructure Fund	0	0	0	0.0
California Wildlife, Coastal and Park Land Conservation Fund of 1988	8	0	(8)	-100.0
Recreational Trails Fund	9,807	4,000	(5,807)	-59.2
Federal Trust Fund	26,529	20,000	(6,529)	-24.6
Reimbursements	0	0	0	0.0
River Protection Subaccount	1,500	0	(1,500)	-100.0
California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund	333,930	581,883	247,953	74.3
Total, Local Assistance	\$704,128	\$633,439	(\$70,689)	-10.0

Total	\$1,003,687	\$911,997	(\$91,690)	-9.1
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3860 Department of Water Resources

The Department of Water Resources (DWR) is responsible for developing and managing California's water through the implementation of the State Water Resources Development System, including the State Water Project. The Department also maintains the public safety and prevents damage through flood control operations, supervision of dams, and safe drinking water projects.

The budget proposes total expenditures of \$6.1 billion (\$39 million, General Fund), an increase of \$324.5 million (5.7 percent) from the current-year budget. The increase in spending is attributable to the allocation of Proposition 50 bond funds to the department (\$300.1 million).

Fund Source (dollars in thousands)	2002-03	2003-04	Change	
			Dollars	Percent
General Fund	\$68,435	\$38,994	(\$29,441)	-43.0
Colorado River Management Account	18,000	39,000	21,000	116.7
California Environmental License Plate Fd	378	218	(160)	-42.3
Environmental Water Fund	6,683	0	(6,683)	-100.0
Central Valley Project Improvement Subaccount	1,568	1,568	0	0.0
Delta Levee Rehabilitation Subaccount	1,780	694	(1,086)	-61.0
Feasibility Projects Subaccount	1,445	1,446	1	0.1
Water Conservation and Groundwater Recharge Subaccount	123	123	0	0.0
Energy Resources Programs Account	1,739	1,657	(82)	-4.7
Water Project Funds	249,554	240,167	(9,387)	-3.8
Loan Repayments	(1,530)	(1,530)	0	0.0
Local Projects Subaccount	3,524	99	(3,425)	-97.2
Sacramento Valley Water Management and Habitat Protection Subaccount	16,569	2,624	(13,945)	-84.2
California Safe Drinking Water Fund	4,785	4,785	0	0.0
1984 State Clean Water Bond Fund	570	570	0	0.0
Loan Repayments	-325	(325)	0	0.0
1986 Water Conservation and Water Quality Bond Fund	5,064	5,064	0	0.0
Loan Repayments	-2,158	(2,158)	0	0.0
1988 Water Conservation Fund	9,017	9,017	0	0.0
Federal Trust Fund	60,211	11,223	(48,988)	-81.4
Bosco-Keene Renewable Resources Investment Fund	797	652	(145)	-18.2
Reimbursements	59,692	21,389	(38,303)	-64.2
Department of Water Resources Electric Power Fund	4,968,644	5,311,825	343,181	6.9
Flood Protection Corridor Subaccount	27,432	8,257	(19,175)	-69.9
Urban Stream Restoration Subaccount	10,172	674	(9,498)	-93.4
Yuba Feather Flood Protection Subaccount	5,456	3,957	(1,499)	-27.5
River Protection Subaccount	163	163	0	0.0

Water Conservation Account	51,675	30,425	(21,250)	-41.1
Conjunctive Use Subaccount	80,460	1,260	(79,200)	-98.4
Bay Delta Multipurpose Water Management Subaccount	29,574	23,722	(5,852)	-19.8
Interim Water Supply and Water Quality Infrastructure and Management Subaccount	9,050	422	(8,628)	-95.3
Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002	43,000	300,104	257,104	597.9
Total	\$5,731,547	\$6,056,086	\$324,539	5.7

3870 CALFED Bay-Delta Authority

The California Bay-Delta Authority, established by legislation enacted in 2002, provides a permanent governance structure for the collaborative state-federal effort that began in 1994. The Authority is composed of representatives from six state agencies and six federal agencies, five public members from the Program's five regions, two at-large public members, a representative from the Bay-Delta Public Advisory Committee, and four ex officio members, namely the chairs and vice-chairs of the Senate and Assembly water committees.

Prior to creation of the Authority, the Program functioned as a consortium of state and federal agencies, each operating under its independent statutory authority to implement various elements of the Bay-Delta Plan, set forth in the CALFED Bay-Delta program Record of Decision signed in August 2000. Under the Authority, the agencies have a more formalized role in advancing the goals of the Program. The Authority was established by enactment of Senate Bill 1653 (Costa) of 2002. The legislation calls for the Authority to sunset on January 1, 2006, unless federal legislation has been enacted authorizing the participation of appropriate federal agencies in the Authority.

The budget proposes \$216.4 million (\$12.6 million, General Fund) in total expenditures. Overall, the budget proposes \$582.1 million in total funding for the CALFED Bay-Delta program.

Fund Source (dollars in thousands)	2002-03	2003-04	Change	
			Dollars	Percent
General Fund	\$0	\$12,590	\$12,590	0.0
Bay-Delta Ecosystem Restoration Account	\$5,074	48,531	43,457	856.5
Federal Trust Fund	0	29,352	29,352	0.0
Reimbursements	0	16,495	16,495	0.0
Water Security, Clean Drinking Water, Coastal and Beach Protection Fund	0	109,426	109,426	0.0
Total	\$5,074	\$216,394	\$211,320	4164.8

ENVIRONMENTAL PROTECTION

OVERVIEW

The California Environmental Protection Agency (CalEPA) oversees and coordinates the environmental regulatory activities of the following boards, departments, and offices:

- Air Resources Board (ARB)
- Integrated Waste Management Board (IWMB)
- Department of Pesticide Regulation (DPR)
- State Water Resources Control Board (SWRCB)
- Department of Toxic Substances Control (DTSC)
- Office of Environmental Health Hazard Assessment (OEHHA)

A total of \$1.21 billion (\$86.1 million General Fund) is proposed for the agency's programs. This represents a decrease in overall funding of \$267.8 million (22 percent) over the last two years.

Significant reductions to General Fund support for Cal EPA have occurred over the last two years. Special Fund support has slowly increased with the various departments looking user fees and polluter fees for alternative revenue sources. However, special fund support has not been able to stem the significant decrease in General Fund funding to Cal EPA programs.

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$158,105	\$86,142	-\$71,963	-45.5
Special Funds	654,171	685,552	31,381	4.8
Selected Bond Funds	576,987	271,871	-305,116	-52.9
Federal Funds	167,086	167,116	30	0.0
Total	\$1,556,349	\$1,210,681	-\$345,668	-22.2

While the state protects the environment through the work of the above departments, the Office of the Secretary for Environmental Protection received minimal reductions which appear reasonable. This office will not be discussed, however significant reductions or fiscal issues were proposed to the budgets of the ARB, IWMB, DPR, SWRCB, DTSC, and OEHHA that warrant discussion.

3900 Air Resources Board

The Air Resource Board is responsible for protecting air quality in California. Specifically, the board monitors ambient air quality standards, administers air pollution studies, evaluates regulations adopted by the United States Environmental Protection Agency, and administers programs to maintain California's air quality standards.

The budget proposes total expenditures of \$152.6 million (\$10.4 million General Fund), an increase of \$2.2 million (1.4 percent) from the current-year budget. Despite the increase, General Fund support for the Air Resources Board has dropped dramatically with support shifted to the Air Pollution Control Fund (see **Highlights** section below).

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$23,887	\$10,416	-\$13,471	-56.4
Motor Vehicle Account	62,335	63,498	1,163	1.9
Air Pollution Control Fund	11,529	28,110	16,581	143.8
Other Funds	11,613	11,672	59	0.5
Federal Trust Fund	10,810	11,017	207	1.9
Reimbursements	5,261	4,886	-375	-7.1
Selected Bond Funds	25,000	23,000	-2,000	-8.0
Total	\$150,435	\$152,599	\$2,164	1.4

Highlights

Stationary Source Fees. The budget proposes to increase Stationary Source Fees by shifting \$10 million of General Fund support for the program to the Air Pollution Control Account. As part of the polluter pays principle, the proposal seeks remove the cap of \$3 million in total fees collected and expand the scope of those under the fee structure to include manufacturers of consumer products and architectural coatings. As a result of the proposed fee increase, the board's stationary source program will receive approximately 1/3 of its revenue from the regulated community.

The Legislature recently approved this fee increase through AB 10X (Oropeza) during the Mid-Year Budget Revision process. This allows sufficient time for the ARB to develop and implement a new fee structure in time for FY 2003-04. However at the time of printing, the Governor had yet to sign the bill. If the Governor fails to sign AB 10X, the Legislature should propose the fee increase in the budget year.

General Fund Reductions. The budget proposes a \$2.1 million reduction and 17 positions for various stationary source programs including: source testing, enforcement, and compliance; air quality emissions inventory; community health; permit coordination and review; and engineering and quality management. The stationary source program already received reductions of \$4.4 million from the previous year.

Mobile Source Greenhouse Gases. The budget proposes \$100,000 from the Motor Vehicle Account to develop and adopt regulations to reduce mobile source greenhouse gases.

3910 Integrated Waste Management Board

The Integrated Waste Management Board's (IWMB) mission is to promote source reduction, recycling, composting, and environmentally safe transformation as alternatives to the disposal of solid waste at landfills. The board also protects the public health and safety through the regulation of existing and new solid wasteland disposal sites.

The budget proposes total expenditures of \$115.5 million (\$0 General Fund), a decrease of \$11.8 million (9.2 percent) from the current-year budget.

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$49	\$0	-\$49	-100.0
Integrated Waste Mgt. Account	42,452	43,995	1,543	3.6
CA Used Oil Recycling Fund	32,221	22,628	-9,593	-29.8
Recycling Market Development	8,168	8,134	-34	-0.4
Revolving Loan Account				
CA Tire Recycling Management Fund	30,969	31,489	520	1.7
Solid Waste Disposal Site Cleanup Fund	7,582	5,462	-2,120	-28.0
Other Funds & Reimbursements	5,689	3,658	-2,031	-35.7
Selected Bond Funds	151	152	1	0.7
Total	\$127,281	\$115,518	-\$11,763	-9.2

Highlights

Special Fund Loans. The budget proposes a loan of \$2 million and \$15 million from Board's Integrated Waste Management Account and California Tire Recycling Management Fund respectively.

3930 Department of Pesticide Regulation

This Department of Pesticide Regulation (DPR) was created in 1991 as part of the California Environmental Protection Agency to protect the public health and the environment from unsafe exposures to pesticides. The department (1) evaluates the public health and environmental effects of pesticides; (2) regulates, monitors, and controls the use of pesticides in the state; (3) tests produce for pesticide residue levels; and (4) develops and promotes pest management practices that can reduce the problems associated with the use of pesticides. The department primarily is funded from taxes on the sale of pesticides in the state, various registration and licensing fees on persons who use or sell pesticides, and the General Fund. The department is located in Sacramento. The budget proposes total expenditures of \$53.3 million (\$100,000 General Fund), a decrease of \$1.1 million (2.1 percent) from the current-year budget.

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$12,795	\$1	-\$12,794	-100.0
Dept. of Pesticide Regulation Fund	\$37,861	\$49,794	11,933	31.5
Other Funds	\$914	\$869	-45	-4.9
Federal Trust Fund	\$2,383	\$2,160	-223	-9.4
Reimbursements	\$479	\$479	0	0.0
Total	\$54,432	\$53,303	-\$1,129	-2.1

Highlights

Mill Assessment Branch. The budget proposes to redirect many positions and resources from various programs in DPR to create a new Mill Assessment Branch which would be responsible for maximizing collection, reporting, monitoring and compliance of the mill assessment program. DPR estimates that greater efficiencies from the consolidation will allow \$2 million in General Fund savings.

General Fund Reductions. The budget proposes to reduce \$2.8 million and 3.8 positions from the department's baseline budget. The several pesticide monitoring and enforcement programs are effected by this proposal including Pest Management Alliance Grants, Air Program, Surface Water Program, Marketplace Surveillance Residue Program, and permitting and enforcement programs.

Issues

Mill Assessment Fees and Pesticide Licensing/Examination Fees. The Governor's budget proposes shifting \$8.6 million from the General Fund to the Department of Pesticide Regulation Fund (DPRF) by increasing pesticide mill assessment fees and pesticide licensing and examination fees.

The mill assessment is currently set at a rate of 17.5 mills (one mill is equivalent to \$0.001 for each dollar of pesticide sold in the state). Also, a smaller amount of funds are generated through fees on pesticide registration, licensing and examination of pesticide dealers. In the current year, the DPRF accounts for close to 70% of DPR's funding, with a majority of the remaining funding coming from the General Fund.

The Administration's proposal establishes a new cap of 27 mills (one mill is equivalent to \$0.001 for each dollar of pesticide sold in the state) and allows the Director of DPR to adjust fee levels within that cap to fully fund the pesticide programs. Also, the Director would be given the authority to adjust licensing and examination fees to cover the costs of those programs. This increase will fully fund the pesticide program from the DBRF.

Two years ago, the Legislature sought a stable funding source for the program by establishing a committee of stakeholders, department officials, and legislative representatives to address the long term funding issues of the pesticide program. That report is expected to be released very soon.

DPR believes that increasing the mill assessment to fully fund the department is the long term funding solution for the program. DPR states the fee increase will have an insignificant impact upon agriculture industry while relieving the General Fund through the polluters pays principle. In light of the impending report and the condition of the General Fund, stable, non-General Fund revenues for this essential environmental health program is necessary to maintain funding levels for this important mandated activities. However, issues of the proper funding levels of the department, proper oversight of pesticide activities, and appropriate assessment levels will have to be addressed.

3940 State Water Resources Control Board

The State Water Resources Control Board (SWRCB) regulates water quality in the state and administers water rights. The board carries out its water quality control responsibilities by (1) establishing wastewater discharge policies; (2) implementing programs to ensure that the waters of the state are not contaminated by surface impoundments, underground tanks, or aboveground tanks, and (3) by administering state and federal loans and grants to local governments for the construction of wastewater treatment facilities. Nine regional water quality control boards establish water discharge requirements and carry out water pollution control programs in accordance with state board policies. The board's water rights responsibilities

involve issuing and reviewing permits and licenses to applicants who wish to appropriate water from the state's streams, rivers, and lakes.

The budget proposes total expenditures of \$739.4 million (\$73.2 million General Fund), a decrease of \$332.0 million (31 percent) from the current-year budget.

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
<i>State Operations</i>				
General Fund	\$73,212	\$44,633	-\$28,579	-39.0
Underground Storage Tank Cleanup Fund	250,467	242,038	-8,429	-3.4
Waste Discharge Permit Fund	32,174	45,905	13,731	42.7
Public Resources Account	2,125	2,120	-5	-0.2
Integrated Waste GMT Account	5,250	5,339	89	1.7
Federal Trust Fund	37,800	37,830	30	0.1
Reimbursements	9,933	9,933	0	0.0
Prop. 50 Bond Funds	125	2,342	2,217	1773.6
Other Bond Funds	4,537	5,799	1,262	27.8
Other Funds	32,774	25,206	-7,568	-23.1
<i>Subtotal</i>	448,397	421,145	-27,252	-6.1
			0	0.0
<i>Local Assistance</i>			0	0.0
General Fund	0	0	0	0.0
State Revolving Loan Subaccount	15,000	15,000	0	0.0
Small Communities Grant Subaccount	21,000	6,000	-15,000	-71.4
Water Recycling Subaccount	63,883	20,600	-43,283	-67.8
State Water Pollution Control Revolving Fund	96,000	96,000	0	0.0
Prop. 50 Bond Funds	30,375	112,488	82,113	270.3
Other Bond Funds	383,505	60,300	-323,205	-84.3
Loan Repayments/Less Funding from Various Accounts	(85,730)	(90,730)	(-5,000)	5.0
Other Funds	9,000	8,580	-420	-4.7
Federal Trust Fund	90,000	90,000	0	0.0
<i>Subtotal</i>	623,033	318,238	-304,795	-48.9
Total	\$1,071,430	\$739,383	-\$332,047	-31.0

Highlights

Waste Discharge Permit Fees. The Governor's budget proposes to fund shift \$13.6 million from the General Fund to the Waste Discharge Permit Fund by increasing waste discharge permit fees and stormwater discharge fees.

The Legislature recently approved this fee increase through AB 10X (Oropeza) during the Mid-Year Budget Revision process. This allows sufficient time for the SWRCB to develop and implement a new fee structure in time for FY 2003-04. However at the time of printing, the Governor had yet to sign AB 10X. If the Governor fails to sign the fee increase, the Legislature should consider proposing the fee increase in the budget year.

Underground Storage Tank Cleanup Fund. The budget proposes a loan of \$3.2 million from the Underground Storage Tank Cleanup Fund to the General Fund. Also proposed is a increase of \$15 million from the fund for reimbursements.

Proposition 50 Bond Funds. The budget proposes \$507.0 million from Proposition 50 bond funds for various program areas including water quality protection and improvement, watershed planning and implementation, coastal water protection and restoration, groundwater protection, and interregional water management. Of the \$507.0 million, \$450 million is appropriated directly to programs in SWRCB by Proposition 50, and \$57 million is the Water Board's request for unallocated funds in Proposition 50 for water recycling projects in the CALFED Bay-Delta Program.

Issues

General Fund Reductions to the Water Quality Program. The budget proposes substantial reductions to the water quality monitoring activities. Water monitoring activities (particularly for groundwater quality) is a basic function of the Water Board, and is essential to permitting and enforcing water quality standards. A total of \$11.3 million in reductions to this program are as follows:

Reductions to the Water Quality Program		
(dollars in thousands)	2002- 2003	2003- 2004
<i>Program Title</i>		
Data Management	\$0	\$500
Salton Sea Restoration	350	350
Regional Wetlands Management Plan	15	15
Spills, Leaks, Investigations, and Cleanup	25	290
Chromium 6	0	462
Monitoring & Assessment Programs	831	6,802
Agricultural Waste Management	450	1,124
Water Quality Planning	0	570
Underground Storage Tanks	0	682
Nonpoint Source	0	89
CALFED	365	365
Training	63	0
Equipment	67	0
Out-of-State Travel	11	24
Total	\$2,177	\$11,273

The \$11.3 million in budget year reductions are proposed on top of the recently approved \$2.2 million in current year reductions. The Water Board has indicated that such reductions will substantially curtail their current water quality monitoring efforts.

Without proper monitoring abilities, the Water Board's permitting, investigation, enforcement, and cleanup activities will be significantly affected. Alternative revenue sources to the General Fund, such as the waste discharge permit fees (*see highlights above*), should be examined for long term funding stability for the Water Board's regulatory and monitoring activities.

General Fund Reductions to the Water Rights Program. The budget proposes substantial reductions to the water rights program. The Water Board's water rights program allows parties who wish to "appropriate" (*i.e.*, use for their own purposes) state waters to perfect their right to do so through board approval. These approvals are generally granted with conditions which protect the rights of other parties and the beneficial uses of water.

According to the Water Board, "Before the SWRCB can grant an appropriate water right permit, it must find that there exists in the source stream sufficient unappropriated water to support the possible project and it must assess the environmental impacts of the project. Funds are used to contract with private consultants to perform a water availability analysis that determines whether sufficient unappropriated water exists."

The budget proposes to reduce General Fund support of the Water Rights Program by \$3.3 million. This does not include the reductions this Legislature approved for the current year of \$610,000. These reductions combined represents a 34.8% reduction in water rights funding in activities such as processing of water rights applications, complaint investigations, adjudication, and enforcement. In FY 2000-01, the Legislative Analyst Office (LAO) identified significant backlogs in the review and issuances of water rights by the board. The Legislature over last few years has generally sought to improve the process for issuance of water rights.

The LAO also recommended to the Legislature funding to this program should be increased by instituting a "user pays" system whereby parties applying for water rights would pay a fee to cover the costs of the Water Board in evaluating and issuing a grant of water rights.

Currently, there is a nominal water rights application fee which does not cover the extensive costs of evaluating applications. Given the significant impacts on the environment, an increased fee structure, taking into consideration the significant differences between efforts necessary for evaluation of water rights applications, should be considered to preserve funding for this over-burdened program.

3960 Department of Toxic Substances Control

The Department of Toxic Substances Control's (DTSC) mission is to protect the public health and the environment from unsafe exposure to toxic substances. In so doing it (1) regulates hazardous waste management, (2) cleans up sites that have been contaminated by toxic substances, and (3) promotes methods to treat and safely dispose of hazardous wastes and reduce the amounts of hazardous wastes that are generated in the state. The department is primarily funded from fees and taxes assessed on persons that generate, store, treat, or dispose of hazardous wastes. The department is located in Sacramento.

The budget proposes total expenditures of \$159.0 million (\$20.1 million General Fund), a decrease of \$4.53 million (2.8 percent) from the current-year budget.

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	32,728	20,106	-\$12,622	-38.6
Hazardous Waste Control Account	41,026	46,991	5,965	14.5
Site Remediation Account	8,664	7,850	-814	-9.4
Unified Program Account	955	981	26	2.7
California Used Oil Recycling Fund	339	337	-2	-0.6
Hazardous Substance Accounts	6,873	5,539	-1,334	-19.4
Expedited Site Remediation Trust Fund	0	2,441	2,441	0.0
Toxic Substances Control Account	36,422	36,258	-164	-0.5
Federal Trust Fund	26,727	26,053	-674	-2.5
Other Funds	2,913	3,564	651	22.3
Reimbursements	6,925	8,921	1,996	28.8
Total	\$163,572	\$159,041	-\$4,531	-2.8

3980 Office of Environmental Health Hazard Assessment

This Office of Environmental Health Hazard Assessment (OEHHA) was created in 1991 as part of the California Environmental Protection Agency to evaluate the health risks of chemicals in the environment. OEHHA currently (1) develops and recommends health-based standards for chemicals in the environment, (2) develops policies and guidelines for conducting risk assessments, and (3) provides technical support for environmental regulatory agencies.

The budget proposes total expenditures of \$10.8 million (\$8.7 million General Fund), a decrease of \$4.2 million (28.1 percent) from the current-year budget.

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$12,004	\$8,707	-\$3,297	-27.5
Environmental Lic Plate Fund	775	800	25	3.2
Federal Trust Fund	20	0	-20	-100.0
Reimbursements	2,277	1,339	-938	-41.2
Total	\$15,076	\$10,846	-\$4,230	-28.1

Issues

General Fund Reductions. The Governor's budget proposes to reduce OEHHA's total budget by approximately 30%. This reductions will cause OEHHA to lay off 23 positions (25% of its workforce) of highly skilled individuals.

The department has stated, "With a significantly reduced workforce, OEHHA will not be able to meet its statutory mandates and deadlines in Proposition 65, fuels, indoor air, and SB 950, the Birth Defect Prevention Act programs." OEHHA will have to eliminate many activities like pesticide worker health and safety assessment, development of environmental indicators for Cal EPA, and the identification of future environmental problems and solutions. The Children's Health Program and the Worker Health Safety Program will not be eliminated, though progress will be slowed.

OEHHA plays a vital role of environmental protection by being the risk assessment arm of Cal EPA. Its work is integral to other boards, commissions, and departments within Cal EPA in providing the scientific expertise to identify environmental risks and solutions. Given the connection to several other Cal EPA programs, the Legislature should examine possible long term funding solutions by identifying the nexus between OEHHA's risk assessment efforts and those boards, departments, and commissions that benefit.

PUBLIC SAFETY AND CRIMINAL JUSTICE

0820 Department of Justice

It is the responsibility of the Attorney General to uniformly and adequately enforce the laws of the State of California. Under the direction of the Attorney General, the Department of Justice (DOJ) enforces state laws, provides legal services to state and local agencies, and provides support services to local law enforcement agencies. There are five primary divisions within the department, including (1) Civil Law, (2) Criminal Law, (3) Public Rights, (4) Law Enforcement, and (5) Criminal Justice Information Services. In addition, DOJ's programs include the Division of Gambling Control, the Firearms Division, Executive Programs, and the Directorate and Administration Divisions.

The budget proposes \$606.7 million for the Department of Justice. Of these funds, \$152 million is for the Division of Law Enforcement, \$255.6 million supports the Civil Law, Criminal Law, and Public Rights Programs, and \$152.5 million is for the Criminal Justice Information Services Program, which includes the Hawkins Data Center and other information technology functions of the department. Overall spending would decrease by \$31.1 million, or 4.9 percent, from the revised current-year budget. General Fund support would decrease by \$14.4 million, or 4.5 percent from the revised current-year budget to \$302 million.

Highlights

Executive and Directorate Programs. The Directorate Program consists of the Attorney General's Executive Office, Equal Opportunity Employment Office, and Opinion Unit. The Division of Executive Programs maintains internal and external department communications. It consists of the Office of Legislative Affairs, Crime Violence Prevention Center, special programs, and various communication offices. Budget adjustments include:

- A reduction of \$600,000 for various operating and equipment expenses.
- A reduction of \$1.5 million related to elimination of the Cal-Gang grant program.

Civil Law, Criminal Law, and Public Rights Divisions. The Civil Law Division provides legal services to state agencies and constitutional officers in the areas of licensing, government law, health, education, welfare, regulation, and taxation. The Criminal Law Division represents the state in all criminal matters before the appellate and supreme courts and defends the state in actions filed by state inmates under the Federal Civil Rights Act. The Public Rights Division provides legal services to state agencies and Constitutional Officers in the areas of civil rights, natural resources, land law, consumer law, and child support enforcement. Major budget adjustments include:

- A reduction of 5 positions and \$1.8 million in the Civil Law Division.
- A reduction of \$1.6 million in the Criminal Law Division for the *Plata v. Davis* lawsuit related to inmate medical care at the Department of Corrections. The budget continues funding \$4.2 million for this case, primarily for compliance monitoring.
- An increase of \$1.3 million for legal expenses to continue the state's defense in *Williams v. State of California*, a constitutional challenge to the state's kindergarten-through high school education system.
- A reduction of \$3.2 million related to the elimination of the Spousal Abusers' Prosecution Program.
- An augmentation of \$5.7 million to fund specialist counsel for the continuing Lloyd's of London litigation.
- An augmentation of \$2.5 million to continue the defense of the *Hyatt v. Franchise Tax Board* case.

Divisions of Law Enforcement, Gambling Control, and Firearms. The Division of Law Enforcement is organized into five bureaus, including Investigation, Narcotic Enforcement, Forensic Services, Western States

Information Network, and Criminal Intelligence. The Division of Gambling Control investigates qualifications of individuals that apply for gambling licenses and monitors the conduct of licensees. The Firearms Division processes licenses/permits to possess, manufacture or sell dangerous weapons; administers the gun show producer and assault weapon registration programs; conducts firearms dealer and manufacturer inspections; and conducts the safe handgun and firearms safety device certification programs. Major adjustments include:

- A reduction of 13 positions and \$8.7 million from the General Fund in the Division of Law Enforcement. Of this amount, \$3.5 million is related to a proposal to charge local agencies for forensic analysis services.
- An augmentation of \$1.5 million and 13 positions to begin eliminating the current backlog of cases awaiting forensic analysis.

Criminal Justice Information Services Division. The Criminal Information Services Division was created in 1998-99 to include three former Division of Law Enforcement bureaus (Bureau of Criminal Information and Analysis, Bureau of Information and Identification, and the Western States Information Network) with the Hawkins Data Center and establishing the Criminal Justice Information Services Division. The budget for the division is proposed to decrease by \$4.5 million, or 2.9 percent, below current-year expenditures. Major adjustments include:

- A reduction of \$2 million from the General Fund and 14 positions related to the reduction or elimination of various programs.
- A reduction of \$1.3 million General Fund and \$2.2 million in reimbursements to reflect the transfer if the Child Support Program to the Department of Child Support Services.

Selected Issue

Forensic Services Fees. As noted above, the budget proposes a reduction of General Fund support for the Bureau of Forensic Services by \$3.5 million (\$7.1 million for full year) and an increase in reimbursement funding by an equal amount. These reimbursements would be funded by fees for forensic analysis charged to local agencies. The DOJ has 11 forensic labs around the state which provide services for counties that do not have their own facilities. Since 1972, the state has provided forensic analysis services at no charge for law enforcement agencies in 46 counties. These services include crime scene investigations, casework analysis, ballistics analysis, and DNA analysis and profiling.

In previous years, the LAO has noted that one option for savings would be to transfer costs of the regional forensic labs to the local law enforcement agencies that use the services. Last year, the LAO estimated that the savings generated by shifting 100 percent of costs for forensic services would be approximately \$16 million. The Legislature may wish to obtain additional information regarding the proposal to ensure that it makes sense from a policy perspective, does not lead to inequitable administration of justice, and is not overly burdensome to administer.

5240 Department of Corrections

The Department of Corrections (CDC) is responsible for the control, care, and treatment of men and women who have been convicted of serious crimes and entrusted to the department's Institution and Community Correctional programs. In addition, the CDC maintains a Health Care Services Program to address inmate health care needs and a civil narcotics treatment program for offenders with narcotic addictions.

The budget proposes \$5.3 billion for the CDC, which is an increase of \$40.2 million, or 0.8 percent, above the current-year budget. General Fund expenditures are proposed to increase by \$53.1 million, or 1 percent above current-year expenditures. The increase is due primarily to cost factors related to the projected increase in the inmate populations, and increased workers' compensation costs.

Authorized positions for the department are proposed to increase by a net 816 positions for a total of 46,174 positions. This increase is due primarily to increased population projections and related programmatic changes.

Summary of Expenditures

(dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$5,096,077	\$5,149,208	\$53,131	1.0%
Federal Trust Fund	2,350	2,386	36	1.5%
Inmate Welfare Fund	47,366	50,009	2,643	5.6%
Special Deposit Fund	155	1,010	855	551.6%
Reimbursements	90,559	74,045	-16,514	-18.2%
Total	\$5,236,507	\$5,276,658	\$40,151	0.8%

Highlights

Institution Program. The California Department of Corrections is required by statute to accept convicted felons and civilly committed nonfelon narcotic addicts from California courts when their sentence is imprisonment in a state correctional facility. It is the department's responsibility to provide safe and secure detention facilities to protect society from further criminal activities and to provide necessary services such as food, clothing, medical care, psychiatric and counseling services and training, including academic and vocational education.

The department estimates the inmate population to increase from 160,661 on June 30, 2003 to 161,039 by June 30, 2004, an increase of 378 inmates, or 0.2 percent. The population projections estimate that the population will remain relatively flat through 2008, with an estimated inmate population of 161,199 by June 30, 2008. The actual population on June 30, 2002 was 157,979, a decrease of 3,518 from the previous year.

Major budget adjustments for the Institutions Program include:

- An increase of \$5.5 million and 75 positions to implement a standardized Administrative Segregation housing staffing pattern for all institutions, provide resources for a consultant to address standardized staffing for various missions, housing type, and physical plant, and to provide funding for three gang debriefing teams.
- An increase of \$21.1 million and 114 positions in the current year and \$14.7 million and 327 positions in the budget year to address the impact of sick leave usage for posted positions in Bargaining Unit 6.
- A reduction of \$2.6 million in the current year due to the proposed elimination of the Arts in Corrections Program. This proposal would make the Handicraft program, a leisure time activity, available statewide.
- A reduction of \$10.2 million in the budget year related to the closure of Northern California Women's Facility and conversion of the facility to a male reception center. The proposal identifies \$11 million in capital outlay costs in the budget year for upgrades to the facility, and notes that there will be substantial start up costs for reactivating the facility.
- \$220 million in lease revenue bonds for the study, preliminary plans, working drawings, and construction of a new condemned inmate complex at San Quentin prison.
- An assumption that California will receive \$154.5 million in federal funds to offset the incarceration of undocumented persons.

Health Care Services Program. The California Department of Corrections is mandated to provide health care to the inmate population. The mission of the Health Care Services program is to manage and deliver health care to the inmate population statewide consistent with adopted standards for quality and scope of services within a

custodial environment. The program strives to achieve this mission by providing cost-effective, timely, and competent care. Additionally, the program promotes inmate responsibility for their health.

The Health Care Services program is in the process of implementing a multidisciplinary, multiple service statewide health care delivery system. The delivery system seeks to provide inmates with timely access to staff, facilities, equipment, and procedures to diagnose and treat medical, dental, and mental health problems. Standardized screening and comprehensive mental health evaluations, licensed 24-hour medical care, adequate and timely mental health crisis care, and ongoing medical, dental, and mental health outpatient treatment are the basic components of the Health Care Services program. The program currently operates four licensed hospitals and a skilled nursing facility for female inmates. In addition, the department operates a hospice care wing at the California Medical Facility and an HIV unit at the California Institution for Men.

The proposed budget for the Health Care Services program is \$939.2 million, an increase of \$52.3 million, or 5.9 percent, above current-year expenditures. In recent years, the budget for the Healthcare Services Division has increased greatly due in large part to increases for contract medical costs, and the rise in costs for medical and psychiatric supplies. The 2003-04 budget proposes no increases for medical and psychiatric supplies or contract medical costs.

Major budget adjustments for the Health Care Services program include:

- An increase of \$4.2 million and 37.8 positions related to Coleman court order mandates for the Mental Health Services Delivery System. The proposal seeks positions and recruitment and retention funding to increase the number of acute psychiatric beds at Corcoran Hospital and the Skilled Nursing Facility at Central California Women's Facility.
- An increase of \$1.5 million and 21 positions to establish a Correctional Treatment Center (CTC) at the California Institute for Women and to maintain compliance with requirements for CTC licensure at Central California Women's Facility.
- Reappropriation of \$4 million General Fund for the Madrid Patient Information System. The Budget Act of 2001 appropriated \$7.9 million. CDC indicates that it is in the process of procuring the new system.

Community Correctional Program. The primary objective of this program is to increase the rate and degree of successful reintegration and release to society of adult offenders released from state prison to the jurisdiction of the Parole and Community Services Division. This objective is attained by providing support services, community program referral, control of behavior, and by increasing community awareness and understanding.

The department estimates that the parole population will be 117,233 by June 30, 2003. For 2003-04, the CDC projects population to decrease by 1,846, or 1.6 percent, for a total of 115,387 by June 30, 2004. This projection accounts for recent population trends and the estimated impact of Proposition 36 on the parole population.

Central Administration. The objective of the Central Administration program is to provide executive and administrative services to assure the overall success of the department's Institutions, Health Care Services, and Community Correctional programs. This program consists of the Executive Division, Support Services, and Field Operations. Major budget adjustments include:

- A one-time increase of \$32.8 million in the current year and a base budget increase of \$115.8 million in 2003-04 to address a budget shortfall for workers' compensation. Expenditures for workers' compensation have increased from \$68.9 million in 1995-96 to an estimated \$185.6 million in the budget year.
- An increase of \$2.4 million in the current year and \$6.7 million in the budget year for the increased operational costs associated with the new bargaining unit 6 contract. This proposal also requests \$12 million for 2004-05 and \$15.7 million for 2005-06. These amounts would provide funding for estimated increased costs related to legal representation, sick leave for permanent intermittent employees, survivor benefits, reductions to the institution vacancy plan, and parole agent workload.

- An increase of \$12.9 million in the current year and \$9.7 million in the budget year for increased costs of electricity and natural gas.

Selected Issues

Prison Reform Alternatives.

Over the last twenty years, the institution population at the California Department of Corrections (CDC) has increased significantly. The inmate population has grown from 23,500 in 1980 to 157,979 in 2002. Much of this increase has been driven by state sentencing changes. The inmate population growth was accommodated by building 21 new prisons and by adding beds to some of the 12 previously existing prisons. To address the demand for the housing of maximum security (level IV) inmates, in 1999 the Legislature authorized construction of the Delano II maximum security prison.

In stark contrast the rapid inmate population growth that CDC experienced in the 1980s and 1990s, CDC is now projecting virtually flat growth through 2008, and for the first time, experienced a decrease in population between 2001 and 2002. Proposition 36, which diverted nonviolent drug possession offenders into treatment, has played a role in stabilizing the inmate population.

Since 1980-81 the total budget for CDC has grown from \$408.6 million to \$5.1 billion in 2001-02. The proposed budget for the departments within the Youth and Adult Correctional Agency make up 9 percent of total General Fund expenditures. In light of this year's severe fiscal crisis, the Subcommittee may wish to consider policy changes that will prioritize the use of costly state prison resources. The Legislative Analyst and others have suggested a number of proposals in two broad categories:

Nonviolent offenders. According to the LAO's 2002-03 *Analysis*, 55 percent of the CDC's population are incarcerated for nonviolent offenses. These offenses include Petty Theft with a Prior, Drug Possession for Sale, Drug Possession, Grand Theft, DUI, Forgery/Fraud, Receiving Stolen Property, Other Property Offenses, and Vehicle Theft.

Parole Violators. CDC now supervises over 115,000 parolees. These parolees will be returned to custody for technical parole violations at a rate of 52% (not including parolees convicted of new crimes). California has the highest rate of parole violations in the nation. On average these "returned to custody" parole violators will spend an average of 4.5 months in prison for their violation. In a 1998 study, the National Council on Crime and Delinquency estimated that these parole violators occupy 21,155 prison beds -- about 13% of CDC's total capacity.

Potential prison reform alternatives for savings at the CDC include:

Intermediate Sanctions for Technical Parole Violators. California incarcerates more parole violators than the combined total of all other states in the country. In calendar year 2001, 74,280 parolees were returned to custody for parole violations, constituting approximately 17 percent of the total prison population. Approximately 53,860 of these parole violators were returned to prison for administrative or technical parole violations and minor criminality (such as petty theft and simple drug possession). According to the CDC the cost to incarcerate this parole violator population was \$340 million. One alternative may be to implement graduated sanctions for non-serious, non-violent parolees. The CDC estimates that a program of providing intermediate sanctions for parole violators such as day reporting centers, electronic monitoring, home detention, and Community Correctional Reentry Centers, together with additional parole agents for pre-release planning and transition services would provide net savings of \$77.2 million in the budget year, \$99.7 million in 2004-05, and \$189.3 million in 2005-06.

Direct Discharge from Prison. Last year the LAO raised the option of adopting Legislation to exempt certain non-violent, non-drug sale offenders from parole supervision. The CDC indicates that budget year savings would be \$33.2 million as CDC implements the changes, with savings of approximately \$113 million in 2004-05. The types of commitment offenses for individuals who would no longer be under parole supervision

include: Petty Theft with a Prior, Receiving Stolen Property, Forgery/Fraud, Other Property Crimes, Possession of a Controlled Substance, Grand Theft, Vehicle Theft, Possession of a Weapon, Escape, Hashish Possession, Burglary (1st and 2nd), and Driving Under the Influence.

Early Discharge from Parole. Under this option, parolees with nonviolent offenses who have served a certain amount of “clean time” on parole would be eligible for early discharge from parole. Last year during the budget process, the LAO estimated that the amount of saving would depend upon the length of clean time prior to discharge, ranging from \$50 million for six months to \$23 million for 12 months.

Early Release from Prison. Under this option, inmates would be released to parole 1 to 12 months early. This option excludes lifers, strikers, sex registrants, and violent or serious offenders from early release. CDC estimates that the potential savings range from \$10.1 million in 2003-04 and \$20.1 million in 2004-05 for one month early release to \$131.7 million in 2003-04 and \$261 million in 2004-05 for 13 month early release.

Elderly Inmates – Release to Parole. This option provides that non-violent, non-serious offenders 60 or over would be released directly to parole. Last year during the budget process, the LAO estimated that first year savings from this option would total \$3.4 million.

Removing State Prison as an Option for Certain Offenses. The CDC estimates budget year savings of \$28.8 million (based on implementation in January 2004) could be achieved by removing state prison as an option for the following offenses: Petty Theft with a Prior, DUI, Other Property Offenses (Perjury, Bribery, etc.), Drug Possession, Hashish Offenses, Receiving Stolen Property, Drug Possession for Sale, Vehicle Theft, Grand Theft, Forgery/ Fraud.

Parole in Lieu of Prison for Inmates with Short Commitments. This option provides that certain non-violent, non-serious, non- sex registrant offenders with short commitments would go directly to parole rather than to prison. Savings under this option would vary depending upon how you define short commitments. CDC will provide estimates for inmates with commitments of 3, 6, 9, and 12 months. Assuming partial year implementation, the option would provide savings of \$1 million for commitments of 3 months up to \$24.8 million for commitments for up to 12 months in 2003-04 and \$2.5 million for 3 months up to \$132 million for 12 months in 2004-05.

Closure of NCWF. The budget proposes closure of the Northern California Women’s Facility and conversion of the facility into a male reception center. The budget year savings are estimated at \$10.2 million. Conversion of this facility into a male reception center will require at least \$11 million in capital outlay expenditures, in addition to substantial costs for reactivation of the facility. The change to a male reception center would require legislation.

5430 Board of Corrections

The Board of Corrections (BOC) works in partnership with city and county officials to develop and maintain standards for the construction and operation of local jails and juvenile detention facilities and the employment and training of local corrections and probation personnel. The BOC also disburses training funds and administers the federal Violent Offender Incarceration/Truth-in-Sentencing (VOI/TIS) Grant, the Juvenile Hall/Camp Restoration program, the Repeat Offender Prevention Project, the Juvenile Crime Enforcement and Accountability Challenge Grant program, and the Mentally Ill Offender Crime Reduction Grant program. The BOC allocates these funds to public, private, or private/nonprofit participants in the local corrections community. The BOC is composed of 13 members—10 appointed by the Governor—confirmed by the Senate, and represents specific elements of local juvenile and adult criminal justice systems and the public. Statutory members are the Secretary of the Youth and Adult Correctional Agency, who serves as Chair, and the Directors of the Departments of Corrections and Youth Authority.

The budget for the BOC proposes \$132.1 million, an increase of \$2.8 million, or 2.1 percent above current-year expenditures. The General Fund portion of the budget reduces by \$30.8 million to \$44.8 million. This decrease is due primarily to the completion of General Fund grant programs from previous years. The Federal Funds are proposed to increase by \$50.8 million to \$84.3 million, primarily due to a new federal Violent Offender Incarceration/Truth-in-Sentencing grant.

Summary of Expenditures				
(dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$75,623	\$44,813	-\$30,810	-40.7%
Corrections Training Fund	19,623	2,401	-17,222	-87.8%
Federal Trust Fund	33,466	84,256	50,790	151.8%
Reimbursements	588	588	\$0	0.0%
Total	\$129,300	\$132,058	\$2,758	2.1%

Highlight

- The budget proposes a reduction of \$16.2 million from the Corrections Training Fund associated with the partial reimbursement of tuition, travel, per diem, and staff replacement costs for training local correctional officers. The portion of local correctional officer training costs paid for by the state would become the responsibility of local correctional agencies. The budget proposes transfer of \$10.1 million from the Correctional Training Fund to the General Fund.

5440 Board of Prison Terms

Chapter 1139, Statutes of 1976 (SB 42), established the Community Release Board in 1977. The Board was renamed the Board of Prison Terms (BPT) effective January 1, 1980 with the enactment of Chapter 255, Statutes of 1979 (SB 281). The BPT considers parole release and establishes the length and condition of parole for all persons sentenced to prison under the Indeterminate Sentence Law, persons sentenced to prison for a term of less than life under Penal Code section 1168 (b), and persons serving a sentence of life with possibility of parole. The BPT has nine commissioners appointed by the Governor and confirmed by the Senate. Each commissioner serves a four-year term. The Governor designates the chairperson of the BPT and deputy commissioners are employed by the BPT in civil service positions. Their duties include hearing and deciding cases.

The budget for the BPT proposes \$30.6 million, a decrease of \$1.7 million or 5.5 percent from anticipated current-year expenditures. The budget adjustments include a reduction of \$1.2 million General Fund and 15 positions from state operations, and a further reduction of \$443,000 and 3 positions to reflect a decrease in projected life prisoner and parole revocation hearing workloads.

Summary of Expenditures				
(dollars in thousands)	2001-2002	2002-2003	\$ Change	% Change
General Fund	\$30,958	\$28,732	-\$2,226	-7.2%
Reimbursements	81	81	0	0.0%
Total	\$31,039	\$28,813	-\$2,226	-7.2%

5460 Department of the Youth Authority

The goals of the Youth Authority (YA) are to provide public safety through the operation of secure institutions, rehabilitate offenders, encourage restorative justice, transition offenders back to the community, and support local government and intervention programs. The budget proposes expenditures of \$414 million for the YA, a decrease of \$12.2 million, or 2.9 percent from anticipated current year expenditures. The primary reason for this reduction is the projected decrease in the YA's ward and parole populations. The ward population is projected to decrease by 105 wards from the amount projected in the 2001 Budget Act to 5,340 wards by June 30, 2003. The budget proposal projects the ward population to decrease by another 245 wards, or 4.6 percent resulting in a June 30 2004 population of 5,095. The parole population is projected to decrease by 210 cases to 3,830 by June 30, 2004.

Summary of Expenditures				
(dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$354,596	\$336,757	-\$17,839	-5.0%
1988 County Correctional Bond	58	0	-58	-100.0%
State Lottery Education Fund	526	528	2	0.4%
Federal Trust Fund	1,456	1,472	16	1.1%
Reimbursements	69,611	75,285	5,674	8.2%
Total	\$426,247	\$414,042	-\$12,205	-2.9%

Highlights

Major Budget Adjustments

- An augmentation of \$3.4 million to reimburse the Department of Mental Health to staff and equip a 20-bed Inpatient Mental Health Facility at the Southern Youth Correctional Reception Center and Clinic.
- An increase of \$7.1 million in reimbursements from counties and a corresponding savings in General Fund to adjust for inflation the County Sliding Scale Fee assessed to counties for commitments to the Youth Authority.

Selected Issue

Closure Plan. The ward population at CYA has decreased significantly in recent years, from over 10,000 wards in 1996 to an estimated population of 5,095 at the end of the budget year. In the same period the budget for the CYA has only decreased from \$429 million to \$414 million. The average annual cost per ward is nearly \$50,000. While the CYA has closed down some living units within its existing facilities, in order to achieve greater savings, the Legislature directed CYA to prepare a facility closure plan that would close at least three facilities by June 2007. In January, CYA submitted a plan to close two facilities and would convert one facility to an all female facility.

8100 Office of Criminal Justice Planning

The goal of the Office of Criminal Planning (OCJP) is to improve the criminal justice system by providing financial and technical assistance to local jurisdictions, state agencies, and the private sector, providing education and training for citizens, and providing technical support to the administration. The OCJP is organized into three programs: Administration, Criminal Justice Projects, and the California Anti-Terrorism Information Center. Funding for the Criminal Justice Projects Program is budgeted at \$247.2 million, a

decrease of \$12.7 million, or 4.9 percent, from the current-year. The budget includes \$6.7 million for the California Anti-Terrorism Information Center.

Summary of Expenditures

(dollars in thousands)	2002-03	2003-04	\$ Change	% Change
General Fund	\$70,459	\$64,582	-\$5,877	-8.3%
Prosecutors/Defenders Training Fund	859	864	5	0.6%
Peace Officers' Training Fund	0	0	0	n/a
Victim Witness Assist Fund	17,011	17,083	72	0.4%
High Tech Theft Apprehension Fund	14,285	14,285	0	0.0%
Less funding provided by General Fund	-14,031	-14,031	0	0.0%
Less funding provided by Fed Funds	-254	-254	0	0.0%
Federal Trust Fund	175,119	168,253	-6,866	-3.9%
Reimbursements	3,084	3,084	0	0.0%
Total	\$266,532	\$253,866	-\$12,666	-4.8%

Highlights

- The budget assumes reductions of \$3.6 million in the current year and the budget year from various local assistance grant programs.
- The budget transfers the Domestic Violence Shelter Program to the Department of Health Services.

Selected Issues

Domestic Violence Shelter Program. In October 2002, the Bureau of State Audits (BSA) released its report which reviewed the domestic violence programs administered by OCJP and the Department of Health Services (DHS). The report raised concerns regarding the administration of the programs by both OCJP and DHS. In addition, among its findings, the report indicates that many of OCJP's and DHS's activities for awarding grants and conducting oversight of shelter-based grant recipients overlap. To improve the efficiency of the state's domestic violence programs and reduce overlap of administrative functions, BSA recommends that the Legislature consider implementing four alternatives:

- Continue to coordinate the departments' activities on projects in which they both have interests in improving shelters, and work together to identify opportunities that might allow each department to focus on funding specific activities.
- Issue a joint application for both departments' shelter based programs but have each department continue its separate oversight.
- Combine the shelter-based activities at one department.
- Consolidate all domestic violence programs at one department.

As noted, the budget proposes to combine the shelter-based programs at DHS. The Legislature may wish to consider the options provided by BSA and other proposals to create a program structure for domestic violence shelters that provides appropriate guidelines, adequate technical assistance, and non-duplicative oversight.

Local Assistance Reductions. The budget proposes to continue reductions proposed in the current year for various local assistance grant programs. The table below highlights the proposed reductions.

2002- 2003 Budget Authority	Amount		
Program Name	Previous Grant	Reduction	Proposed Budget
Victims Legal Resource Center	86,000	-45,000	41,000
Family Violence Prevention	97,000	-47,000	50,000
Homeless Youth	441,000	-45,000	396,000
Youth Emergency Telephone	169,000	-42,000	127,000
Child Sexual Abuse & Exploitation	1,000	-1,000	0
Child Sexual Abuse Prevention & Training	336,000	-34,000	302,000
Community Crime Resistance	461,000	-230,000	231,000
Career Criminal Apprehension	1,154,000	-288,000	866,000
Career Criminal Prosecution	3,987,000	-350,000	3,637,000
Serious Habitual Offender	273,000	-136,000	137,000
Vertical Prosecution – Statutory Rape	8,361,000	-1,591,000	6,770,000
Evidentiary Medical Training	682,000	-34,000	648,000
Vertical Defense of Indigents	346,000	-174,000	172,000
Public Prosecutor/Defender Training	14,000	-6,000	8,000
Suppression of Drug Abuse in Schools	768,000	-78,000	690,000
Gang Violence Suppression	2,321,000	-236,000	2,085,000
Multi-Agency Gang Enforcement Consortium	124,000	-31,000	93,000
Rural Crime Prevention	3,541,000	-200,000	3,341,000
Total	\$23,162,000	-\$3,568,000	\$19,594,000

The Legislature may wish to review other local assistance programs to determine if additional adjustments should be considered. For example, no reductions were proposed for OCJP's two largest grant programs, the War on Methamphetamine Program which provides \$15 million to central valley and northern rural counties to target anti-methamphetamine efforts, and the High Technology Theft and Apprehension Program which provides \$13.3 million from the General Fund to support regional High Technology Task Forces which target high technology crime.

8120 Commission on Peace Officer Training and Standards

The Commission on Peace Officer Training and Standards (POST) is responsible for raising the competence level of law enforcement officers in California by establishing minimum selection and training standards, and improving management practices. The proposed budget for POST is \$28.7 million, a reduction of \$23.7 million, or 45.2 percent from the estimated current year expenditures. This decrease is due to the elimination of the local assistance program that partially reimburses local law enforcement agencies for certain training costs. The portion of local law enforcement officer training costs paid by the state would be the responsibility of local law enforcement agencies. The budget proposes transfer of \$14.3 million from the Peace Officers' Training Fund to the General Fund.

Summary of Expenditures

(dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$1	\$1	\$0	0.0%
Peace Officers' Training Fund	51,172	27,485	-23,687	-46.3%
Reimbursements	1,259	1,259	0	0.0%
Total	\$52,432	\$28,745	-\$23,687	-45.2%

ENERGY

3360 Energy Resources, Conservation, and Development Commission

The California Energy Commission (CEC) develops and implements California's energy policy. Specifically, the Commission (1) maintains historical energy data and forecasts future statewide energy needs; (2) sites and licenses thermal power plants; (3) promotes energy efficiency and energy conservation programs and regulations; (4) develops renewable energy resources and alternative energy technologies; and (5) plans for and directs state response to energy emergencies. The Commission's mission is to assess, advocate and act through public-private partnerships to improve energy systems that promote a strong economy and a healthy environment.

Expenditures				
(dollars in thousands)	2002-03	2003-04	\$ Change	% Change
General Fund	\$250	\$0	-\$250	-100.0
St. Energy Conservation Assis. Acct.	\$6,778	\$37,500	30,722	453.3
Less Ln Repay. to St. En. Cons. & Assis. Acct.	(\$3,820)	(\$4,703)	-883	0.0
Mot. Vehicle Acct, St. Trans. Fund	\$126	\$125	-1	-0.8
Diesel Emission Red. Fund	\$224	\$0	-224	-100.0
Pub. Int. Res., Dev. & Dem. Fund	\$116,166	\$66,982	-49,184	-42.3
Renew. Resource Trust Fund	\$108,613	\$183,456	74,843	68.9
Loc. Juris. Energy Assis. Acct.	\$4,203	\$1,328	-2,875	-68.4
Less Repay. to Loc. Juris. En. Assis. Acct	(\$796)	(\$913)	-117	0.0
Energy Resources Programs Acct.	\$47,797	\$46,388	-1,409	-2.9
Energy Tech. Res., Dev. & Dem. Acct	\$2,765	\$958	-1,807	-65.4
Less Loan Repay. To Energy Tech. Res., Dev. & Dem. Acct.	(\$232)	(\$75)	157	0.0
Loc. Gov. Geo. Res. Rev. Subacct, Geo. Res. Dev. Acct.	\$6,119	\$1,300	-4,819	-78.8
Petrol. Violation Escrow Acct.	\$440	\$434	-6	-1.4
Katz Schoolbus Fund	\$0	\$1,988	1,988	0.0
Federal Trust Fund	\$9,165	\$9,024	-141	-1.5
Reimbursements	\$12,519	\$6,245	-6,274	-50.1
Renewable Energy Loan Loss Reserve Fund	\$9,900	\$0	-9,900	-100.0
Total	\$320,217	\$350,037	\$29,820	9.3

Highlights

Significant increases in expenditures include the following:

- The budget increases the expenditure from the Renewable Resource Trust Fund by \$75 million, but the fund realizes no significant change in its revenue stream. This fund rewards new renewable resource projects, subsidizes old ones and finances research of other specified renewable energy projects.
- The CEC will issue a \$30 million revenue bond. The proceeds of the bond will be placed in the State Energy Conservation Assistance Account and loaned to local public entities for specified energy efficiency projects.
- The budget proposes a \$2 million increase in funding from the Katz Schoolbus Fund to finance phase 5 of the Katz Safe Schoolbus Clean Fuel Efficiency Demonstration Program, providing CEC with resources to replace approximately 20 pre-1977 school buses and administer the program through June 30, 2004.

Decreases from the following funds partially offset the increases described above:

- \$49 million from the Public Interest Research, Development and Demonstration Fund,
- \$10 million from the Renewable Energy Loan Loss Reserve Fund, and
- \$19 million from twelve other funds, including the General Fund

Issues

Fee Report. The Legislature required the CEC to submit a report by January 1, 2003 detailing alternative fee structures for both: (a) developers seeking approval for site power plants and (b) generators. The intent was to find a revenue stream to cover the ongoing compliance costs associated.

The report requirement was in response to the Governor's 2002 budget proposal to raise fees on power plants and a recommendation from the Legislative Analyst's Office (LAO) to raise fees on plants and generators. The subcommittee raised many concerns about implementation of the Governor's proposal and the LAO recommendation when the commission's budget was heard.

The Commission recommended that the current funding mechanism (charges to electricity ratepayers) remain intact to maintain the perception of the Commission's independence and objectivity. Nevertheless, it is acknowledged that imposing a fee on developers to reimburse the General Fund would avoid the perception problem and would balance the costs and benefits of the Siting and Compliance Program between developers and ratepayers.

Raising Fees? Last year, the Legislature authorized the commission to raise the Energy Resources Protection Account (ERPA) fee. The fee may be increased each November. Does the commission intend to raise the fee in November 2003?

8660 Public Utilities Commission

The California Public Utilities Commission (PUC) is responsible for the regulation of utilities and transportation industries to ensure the delivery of stable, safe, and economical services. The PUC traditionally has met this responsibility by enforcing safety regulations and/or controlling industry rates for service.

The budget proposes a reduction in the commission's budget from \$1.5 billion in the current year to \$1.3 billion in the budget year, reducing expenditures by \$217 million, almost 15 percent. The budget and accompanying material provides very little detail about what changes in the commission's budget justify such a large year-to-year reduction.

Highlights

No General Fund Cost. Just as in the current year, there is no General Fund appropriation proposed for 2003-04. In 2001-02, the Legislature appropriated \$150 million (General Fund) to the commission.

Universal Telephone Programs. The Administration appears to be proposing the following reductions in appropriations associated with the Universal Telephone Program.

High Cost Fund-B	-\$55.3 million
Universal Lifeline Telephone Service Trust Fund	- 45.7
California Teleconnect Fund	-120.1

Neither the budget nor the required Budget Change Proposal (BCP) provide any information about how the reduction was calculated or whether the program can sustain the reduction.

Rural Grants. AB 140 (Strom Martin) establishes a grant program to improve rural telephone infrastructure. The Administration proposes making the first grants of the program in the budget year, at a total cost of \$10.1 million.

Issues

Administration of the Universal Telephone Accounts Need Greater Scrutiny. Last year, the Legislature transferred over \$300 million from the High Cost fund, on the grounds that the accounts had unused surpluses. The Legislature assumed the funds could be transferred without hurting services or requiring an increase in the surcharges which supply the funds. During the Interim, it appeared that the commission intended to adjust fees within the universal telephone service program. It is not clear whether the changes were the result of the transfers. The commission may wish to explain the likely changes and whether the transfers affected the funds' ability to meet statutory program requirements.

In the budget, the Administration proposes reducing by \$130 million expenditures from certain lifeline accounts. Why is the change being made? Will it reduce services?

Rural Grant Program. Last year, the Legislature deferred approving the Rural Grant program until the commission developed a grant application and award criteria. It was not clear last year whether the Administration had a plan for allocating the funds to their highest and best use. The Legislature required the commission to submit a report, no later than January 15, 2003, on the likely benefits and costs of the

grants. As of February 9, the commission has not submitted the report. Before the Legislature authorizes the start-up of a \$10 million program, it should have the benefit of the commission's report.

ORA Report. The subcommittee relaxed certain requirements on the budget of the commission's Office of Ratepayer Advocate. In exchange for reduced reporting requirements, the subcommittee proposed and included in the trailer bills statutory language requiring the office to report its budget to the fiscal committees when the Governor released the budget. As of February 9, the commission failed to file the report on ORA's budget.

8665 Consumer Power and Conservation Financing Authority (CPA)

Senate Bill 6 (Burton), Chapter 10 of the 2001-02 First Extraordinary Session, established the authority. Under the bill, the authority may take actions, including issue revenue bonds, for the purposes of:

- Establishing and financing activities to supplement the state's power supplies and ensure sufficient electricity supplies at reasonable prices,
- Financing natural gas transportation and storage,
- Achieving adequate energy reserve capacity within five years,
- Financing replacement or retrofit of old and inefficient power plants, and
- Ensuring supply sufficiency.

Highlights

In 2002, the Legislature changed the funding source of the CPA from the General Fund to a special fund. The special fund source is a \$10 million loan, to be repaid when the CPA begins generating interest income from the projects it finances.

Issues

- ***Repaying the Start Up Loan in the Current Year.*** The CPA was to have repaid \$1 million of its loan on June 30, 2003. It will only be able to repay about half the loan. Through the deficiency process, the Legislature has authorized the authority to extend the loan for six months, making January 1, 2004 the new due date for the first loan payment. The Legislature may have to monitor more closely the authority's income and revenue streams.
- ***Energy Resources Investment Plan Is Due Soon.*** The CPA's authorizing statute requires it to submit an annual *Energy Resources Investment Plan* on February 15. The plan addresses issues of supply, reliability, and environmental quality. It outlines a strategy for cost-effective energy resource investments, including a financing plan. The subcommittee will want to consider the findings of the report and take testimony on the plan.
- ***Report on the Authority's Long Term Budgetary Needs.*** The subcommittee proposed, and the conference committee concurred in, a supplemental report requirement that the authority report on the needs of the authority. The report was to answer the question: How can the Legislature determine

whether the authority is properly funded? The report was due on December 31, 2002. Before considering the authority's budget, the subcommittee may want to review this report.

8770 Electricity Oversight Board

The Electricity Oversight Board (EOB) is part of the regulatory oversight structure that was established by the legislation restructuring California's electricity industry in 1996. The board is charged with ensuring the reliability of the electricity transmission system and in the power market.

The budget proposes total expenditures of \$3.7 million (\$0 General Fund), an increase of \$4,000 (0.1 percent) from the current-year budget.

Summary of Expenditures				
(dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$231	\$0	-\$231	-100.0
PUC Utilities Reimbursement Acct.	3,003	3,226	223	7.4
Energy Resources Protection Acct	471	483	12	2.5
Total	\$3,705	\$3,709	\$4	0.1

Issues

Funding Levels of the EOB. Last year, the Legislature spent considerable time examining the role of the EOB and justifications for its current funding level. The Legislature was critical of its budget near \$4 million (50% OE&E) despite losing both of the board's original purposes of overseeing the now-defunct Power Exchange and overseeing the Independent System Operator.

The Legislature requested a report addressing the board's role in the electricity regulatory field and specific schedules and workloads justifying the upkeep of its \$3.7 million budget. The report was recently transmitted to the Legislature detailing the Board's role and workload schedules.

The report concludes that the EOB's main role is as an advocate on behalf of the state to the Federal Energy Regulatory Commission (FERC). In the report, the EOB does concede that multiple agencies (the Public Utilities Commission and the Department of Water Resources) advocate on behalf of the state before FERC. Although, the EOB contends that they present different roles in advocating to FERC.

While the report is rich in detail of the dockets and legal efforts the EOB has before FERC, the report sidesteps the specific workload and equipment schedules saying:

“As a practical matter, it is extremely difficult to accurately attribute a specific resource allocation to each (FERC) docket... Many FERC cases proceed in alternating spurts and lulls. A matter may require several people to work feverishly for a few days to answer a motion or for a week to write a brief and then may sit for several months awaiting the next order from a judge.”

In light of this report, the EOB has confirmed they may have redundant activities with other departments in their advocacy before FERC, or at least could be functioning under another department. Also, the EOB has yet to produce a precise workload and equipment schedules for justification of their \$3.7 million

budget as requested by the Legislature last year. Until accurate assessments of definitive activities of the EOB and the subsequent workload are available, the Legislature will not be able to properly evaluate on this budget item

GENERAL GOVERNMENT

OVERVIEW

The departments, boards, and commissions under Subcommittee 2's jurisdiction are:

- Office of Emergency Services (OES)
- Native American Heritage Commission (NAHC)
- California Horse Racing Board (CHRB)
- Department of Food & Agriculture (CDFA)
- Seismic Safety Commission (SSC)
- California Law Review Commission (CLRC)
- Commission on Uniform State Laws (CUSL)

The CHRB, and the NAHC all have reasonable reductions or fund shifts proposed and will not be discussed. The OES, the CDFA, the SSC, the CLRC, and the CUSL all have significant proposals that warrant discussion.

0690 Office of Emergency Services

The Office of Emergency Services (OES) coordinates emergency activities to save lives and reduce property losses during disasters and acts as the state's conduit for federal assistance related to recovery from disasters. OES provides leadership assistance and support to state and local agencies in planning and preparing for the most effective use of federal, state, local, and private resources in emergencies. The emergency planning is based on a system of mutual aid in which a jurisdiction first relies on its own resources and then call for assistance from its neighbors.

The budget proposes total expenditures of \$651.9 million (\$58.8 million General Fund) for state operations and local assistance, a decrease of \$71.5 million (9.9 percent) below the current year. As can be seen in the table below, the majority (\$66 million) of this reduction is due to a decrease in federal funds. In the last several years, the federal government has used an accelerated payment schedule in order to pay out existing disaster claims. As a result of this effort, the number of claims for disaster assistance is anticipated to decrease in the budget year.

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$56,110	\$50,847	-\$5,263	-9.4
Other Funds	4,720	3,798	-922	-19.5
Federal Trust Fund	660,511	595,178	-65,333	-9.9
Reimbursements	2,113	2,113	0	0.0
Total	\$723,454	\$651,936	-\$71,518	-9.9

Highlights

General Fund Reductions. The budget proposes General Fund reductions of \$8.1 million in the budget year. Most of the reduction is attributed to \$5.1 million in reduced local assistance, although the

remaining \$3 million will cause significant staff reductions in the Pasadena office and North Coast office, including the elimination of the Annual Earthquake Campaign and the Dam Safety Program. The office states that these reductions will “severely hinder OES’s public safety mission and its ability to fulfill its proactive role in a manner that the public has rightfully come to expect.”

8570 Department of Food and Agriculture

The department promotes and regulates the state's agricultural industry through:

- Eradication and control of harmful plant and animal pests and diseases.
- Marketing, exporting, and other related assistance for various agricultural commodities.
- Assurance of true weights and measures in commerce.
- Financial and administrative assistance to the state's 80 district, county, and citrus fairs.

The budget proposes total expenditures of \$269.3 million (\$86.6 million General Fund) a decrease of \$32.3 million (10.7 percent) from the current-year budget.

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
<i>State Operations & Local Assistance</i>				
General Fund	\$91,970	\$86,598	-\$5,372	-5.8
Agriculture Fund, Totals	96,645	93,381	-3,264	-3.4
Agricultural Export Promo Acct	600	600	0	0.0
Fairs and Exposition Fund	19,238	19,826	588	3.1
Satellite Wagering Account	12,663	12,599	-64	-0.5
Harbors & Watercraft Rev Fund	989	1,171	182	18.4
Agriculture Building Fund	1,606	1,606	0	0.0
Agriculture Building Fund, Sect. 625	90	90	0	0.0
Less expenditures already reflected in other appropriations for CDFA	(1,696)	(1,696)	0	0.0
Other Funds	1,466	1,000	-466	-31.8
Federal Trust Fund	65,891	42,681	-\$23,210	-35.2
Reimbursements	8,498	7,638	-860	-10.1
Pierce's Disease Management Account	20,736	20,936	200	1.0
Less Funding Provided by the General Fund/Federal Trust Fund	(17,396)	(17,403)	(7)	0.0
Total	\$301,300	\$269,027	-\$32,273	-10.7

Highlights

Hawaii Medfly Rearing Facility. The CDFA is requesting \$11 million for a new Medfly Rearing Facility to help increase and stabilize sterile medfly production for the PRP. The department currently relies on a combination of one production facility operated by itself and two United States Department of Agriculture (USDA) facilities in Hawaii and Guatemala. The department contends that rising demand for USDA medflies and the debilitated condition of its current production facility has made supplying the PRP difficult. This

project would double medfly production by building a second production facility which would provide a sufficient and stable source of medflies for the PRP. The department estimates that it will cost an additional \$1.9 million to equip the facility and \$1.35 million in annual ongoing operating costs.

General Fund Reductions. The budget proposes just under \$5 million in General Fund reductions to various programs in this department. The impacted programs include the Weed and Vertebrate Program, the Biological Control Program, Agriculture Inspection Stations, and the “Buy California” Program.

Agriculture Fund Loan Extension. The budget proposes extending repayment of a \$15 million loan to the General Fund last year 2004-05.

Issues

Medfly Preventive Release Program. The budget proposes \$8.9 million from the General Fund and 138 positions to provide for Mediterranean Fruit Fly (medfly) preventative control efforts on an ongoing basis. The department began efforts to control the impact of the medfly on California’s agricultural industry in 1975. Since 1980, the state has spent around \$150 million from the General Fund to support this effort, with a similar amount provided by the federal government.

The current Preventative Release Program (PRP) began in 1996 and involves raising sterile medflies and releasing them throughout a 2,500 square mile area in the Los Angeles Basin. Total program costs are approximately \$18 million annually, shared equally between the state and federal government. The Legislature approved this as a five-year program with a June 30, 2001 sunset date. In both FY 2001-02 and FY 2002-03, the program was extended on one-year basis.

Two years ago, the Legislature directed CDFA to provide information detailing how the funding source for the PRP could be shifted in whole, or in part from the General Fund to the Agriculture Fund. A report was requested, due January 10, 2002, from the department to investigate alternative funding sources for the program. The PRP was funded for that budget year.

Last year, the department did not submit the report. The LAO recommended legislation to develop an assessment program that would equitably distribute half of the cost of the PRP across those industries that most benefit from the absence of the medfly, with the other half coming from the General Fund. The Legislature again requested a report for alternative funding sources for this program. The department agreed to contract with the University of California to study alternative funding sources for the PRP. The Legislature then reluctantly approved \$9.2 million for the program on a one-year basis.

This year, the Administration proposes a \$8.9 million budget for the PRP and to make it a permanent expenditure of the General Fund. Also proposed in the budget is capital outlay project of \$11 million for a new Medfly Rearing Facility in Hawaii to be funded by the General Fund (see **Highlights** section below).

Until the Legislature receives a report from the department, it is extremely difficult to consider any alternative revenue source for the PRP. In light of the condition of the General Fund and the lack of responsiveness by the department to Legislative requests for the past two years, the Legislature should consider delaying approval for the PRP program and the related capital outlay project until a assessment proposal or alternative revenue source can be secured for the long term viability of this program.

8690 Seismic Safety Commission

The Seismic Safety Commission was established to improve earthquake preparedness and safety in California. Specifically, the commission is responsible for providing a consistent framework for earthquake-related programs and coordinating the administration of these programs throughout the state government. The 17-member commission performs policy studies, reviews programs, investigates earthquake incidents, and conducts hearings on earthquake safety. The commission advises the

Legislature and the Governor on Legislative proposals, the state budget, and grant proposals relating to earthquake safety.

The budget proposes total expenditures of \$959,000 (\$0 General Fund) a decrease of \$197,000 (17 percent) from the current-year budget.

Summary of Expenditures (dollars in thousands)	2002-2003	2003-2004	\$ Change	% Change
General Fund	\$881	\$0	-\$881	-100.0
Insurance Fund	0	884	884	0.0
Earthquake Emergency	100	0	-100	-100.0
Investigations Account				
Reimbursements	175	75	-100	-57.1
Total	\$1,156	\$959	-\$197	-17.0

Highlights

Funding for the Seismic Safety Commission. The budget proposes shifting funding support for the commission from the General Fund to the Insurance Fund. The insurance fund would raise the additional revenue through a proposed earthquake insurance policy fee of \$1 per policy sold statewide.

8830 California Law Revision Commission

The primary objective of the California Law Revision Commission is to make recommendations to the Governor and the Legislature for revision of the law. The CLRC assists the Governor and the Legislature in keeping the law up to date by studying complex subjects, identifying major policy questions for legislative attention, gathering the views of interested persons and organizations, and drafting recommended legislation for consideration.

Issues

Elimination of the Commission. The CLRC is proposed for elimination. Last year, the commission was funded through the General Fund for \$660,000 and has 5 staff positions. The CLRC provides an commonly unknown, yet valuable service to the Legislature, most recently in recommending code changes to facilitate municipal and superior court consolidation in California, amongst other projects. In light of the condition of the General Fund, possible reductions of \$95,000 for the budget year have been identified as an alternative to elimination.

8840 Commission on Uniform State Laws

In conjunction with other states, the Commission on Uniform State Laws (CUSL) drafts and presents to the Legislature uniform laws deemed desirable and practicable by the National Conference of Commissioners on Uniform State Laws for adoption by various states.

Highlights

Elimination of the Commission. The CUSL is proposed for elimination. Last year, the commission was funded through the General Fund for \$138,000.